ORIGINAL NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF QUAIL CREEK WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02514A-14-0343 **APPLICATION**

Arizona Corporation Commission
DOCKETED
SEP 19 2014
DOCKETED BY

Quail Creek Water Company, Inc., an Arizona public service corporation ("QCW" or the "Company"), hereby applies for an order establishing the fair value of its plant and property used for the provision of public water utility service and, based on such finding, approving permanent rates and charges for water utility service designed to produce a fair return thereon. In support thereof, QCW states as follows:

1. QCW is a public service corporation engaged in providing water utility service in a portion of Pima County, Arizona, pursuant to certificates of convenience and necessity granted by the Arizona Corporation Commission ("Commission"). During the Test Year, QCW served approximately 2,011 connections.

2. QCW's business office is located at 9532 E. Riggs Road, Sun Lakes, Arizona 85248, and its telephone number is (480) 895-4200. The Company's primary management contact is Steven Soriano. Mr. Soriano is employed by QCW as its Vice President and General Manager.

3. The persons responsible for overseeing and directing the conduct of this rate application are Steven Soriano, Thomas Bourassa (the Company's rate case consultant), and Ray Jones (the Company's engineering consultant). Mr. Soriano's mailing address is 9532 E. Riggs Road, Sun Lakes, Arizona 85248, his telephone number is (480) 895-4200, his telecopier number is (480) 895-5455, and his email address is steve.soriano@robson.com. Mr. Bourassa's mailing address is 139 W. Wood Drive, Phoenix, Arizona 85029, his telephone number is (602) 246-7150, his telecopier number is (602) 246-1040, and his email address is tjb114@cox.net. Mr. Jones' mailing address is 25213 N. 49th Drive, Phoenix, Arizona 85083, his telephone number is (623) 341-4771, his telecopier number is (623) 582-5160, and his email address is ray.jones@aricor.com. **All discovery, data requests and other requests for information concerning this Application should be directed by email to Mr. Soriano, Mr. Bourassa, and Mr. Jones, with a copy to undersigned counsel for the Company, including by email to jshapiro@fclaw.com and wbirk@fclaw.com.**

4. The Company's present rates and charges for water utility service were approved by the Commission in Decision No. 61611 (April 1, 1999) using a test year ending December 31, 1997. There have been no other changes to the Company's rates since the current rates went into effect on or after April 1, 1999.

5. QCW maintains that revenues from its utility operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property devoted to public service. Capital investments have been made and operating expenses have increased since the test year in the prior rate proceeding. As a result, the revenues produced by the current rates and charges for service have become inadequate to meet operating expenses and provide a reasonable rate of return. Therefore, the Company requests that the Commission approve certain adjustments to its rates and charges for water utility service so that the Company may recover its operating expenses

and be given a reasonable opportunity to earn a just and reasonable rate of return on the fair value of its property. The Company agrees to use its original cost rate base as its fair value rate base in this proceeding to minimize disputes and reduce rate case expense.

6. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-103 for rate applications by Class "B" utilities. The test year utilized by the Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2013. The Company requests that the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal or more realistic relationship between revenues, expenses and rate base during the period in which the rates established in this proceeding are in effect.

7. During the test year, the Company's adjusted gross revenues were $884,719 from water utility service. The adjusted operating income was $118,963, leading to an operating income deficiency of $248,924. The adjusted fair value rate base was $3,678,863. Thus, the rate of return on the Company's water operations during the test year was only 3.23 percent.

8. The Company submits that this rate of return is inadequate to allow it to obtain and service debt, pay a reasonable dividend to its stockholders, maintain a sound credit rating, and/or enable QCW to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

9. The Company is requesting an increase in water utility revenues equal to $411,785, an increase in revenues of 48.75 percent. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base equal to 10.00 percent.

10. Attached hereto as **Attachment 1** are water plant descriptions and a completed water use data sheet for the 2013 calendar year.

11. Filed in support of this Application is the Direct Testimony of Steven Soriano, providing an overview of QCW; the Direct Testimony of Ray L. Jones, providing an overview of QCW's system and operations and support for plant additions, and discussing the B-2 Schedules and deferred operating costs; and the Direct Testimony of Thomas J. Bourassa, in two separate volumes that collectively provide an overview of the Company's rate filing, discussion of the revenue requirement, including the "A" through "F" schedules, development of the rate base and income statement adjustments, cost of equity capital and related issues, proposed rates, including the "H" schedules, discussion of the effects of the proposed rates on customers' bills, and addressing the Company's proposed purchased power adjustment mechanism. The Company's "D" schedules, which concern the cost of capital, are attached to the volume of Mr. Bourassa's testimony addressing cost of capital.

WHEREFORE, QCW requests the following relief:

A. That the Commission, upon proper notice and at the earliest possible time, conduct a hearing in accordance with A.R.S. § 40-251 and determine the fair value of QCW's plant and property devoted to providing water utility service;

B. Based upon such determination, that the Commission approve permanent adjustments to the rates and charges for water utility service provided by QCW, as proposed herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the fair value of the Company's utility plant and property; and

C. That the Commission authorize such other and further relief as may be appropriate to ensure that QCW has an opportunity to earn a just and reasonable return on the fair value of its water utility plant and property and as may otherwise be required under Arizona law.

...

...

RESPECTFULLY SUBMITTED this19th day of September, 2014.

FENNEMORE CRAIG, P.C.

By_____
Jay L. Shapiro
2394 East Camelback Road, Suite 600
Phoenix, Arizona 85016
Attorneys for Quail Creek Water Company, Inc.

ORIGINAL and fifteen (15) copies of the foregoing, together with the direct testimonies and schedules supporting this application, were delivered this 19th day of September, 2014, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

By:_____

9524528.1/036331.0002

Quail Creek Water Company, Inc.

Application

Attachment 1

COMPANY NAME Quail Creek Water Company	
Name of System:	**ADEQ Public Water System Number:**

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-608597	75	425	459	16	8	1952
55-608522	125	675	2,000	20	8	1974
55-608958	100	382	510	16	8	1962

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
20	3	184	
40	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
750,000	1	13,000	1
780,000	1		

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME Quail Creek Water Company	
Name of System:	**ADEQ Public Water System Number:**

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	360
5		
6	PVC	55,002
6	DIP	441
8	PVC	53,356
10		
12	PVC	21,087
16	PVC	500
21	PVC	4,225

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	
¾	1,848
1	142
1 ½	4
2	11
Comp. 3	
Turbo 3	
Comp. 4	1
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: Quail Creek Water Company	
Name of System:	**ADEQ Public Water System Number:**

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2013

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	1,933	11,555	11,732	0
FEBRUARY	1,937	10,861	11,513	0
MARCH	1,942	10,609	12,264	0
APRIL	1,947	13,727	14,824	0
MAY	1,955	13,886	13,783	0
JUNE	1,958	15,158	16,442	0
JULY	1,968	15,221	17,648	0
AUGUST	1,977	13,520	14,058	0
SEPTEMBER	1,981	14,320	15,060	0
OCTOBER	1,986	13,288	15,959	0
NOVEMBER	1,990	13,621	14,724	0
DECEMBER	1,992	11,322	12,248	0
TOTALS →		**157,088**	170,255	0

What is the level of arsenic for each well on your system? _All Wells 0.002_ mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? _1,250_ GPM for __2__ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

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IN THE MATTER OF THE APPLICATION OF QUAIL CREEK WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02514A-14-____

DIRECT TESTIMONY OF

STEVEN SORIANO

September 19, 2014

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/9521982.1/036331.0002

I. INTRODUCTION, PURPOSE AND SUMMARY OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven Soriano. My business address is 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. On behalf of the Applicant Quail Creek Water Company, Inc. ("QCW" or "Company").

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed as a Vice-President for Robson Communities, Inc. I also hold the titles of Vice-President and Assistant Secretary for QCW, and function as QCW's General Manager. I am also the VP and GM of all of the other Robson affiliated utilities.

Q. WHAT IS THE RELATIONSHIP BETWEEN ROBSON COMMUNITIES, INC. AND QCW?

A. Robson Communities, Inc. provides accounting and administrative services to a group of affiliated companies collectively referred to in this testimony as "Robson." QWC is one of the Robson affiliates. QCW provides water service to customers in the Quail Creek and Stone House developments, which are located in the Town of Sahuarita, Arizona in Pima County. Quail Creek is being developed by Robson Ranch Quail Creek, LLC, a Robson affiliate. Stone House is being developed by Stone House Development, Inc., a 50/50 joint venture between Diamond Ventures, Inc. and Robson. The Stone House development is managed by Diamond Ventures, Inc. and operated as a Diamond Ventures development.

Q. IS ROBSON THE PARENT OF QCW?

A. No. QWC is owned by the shareholders listed on **Exhibit SS-DT1**.

Q. DOES THE ROBSON FAMILY OF COMPANIES INCLUDE OTHER WATER AND WASTEWATER UTILITIES REGULATED BY THE ARIZONA CORPORATION COMMISSION?

A. Yes, in addition to QCW, the Robson affiliates include the following water and wastewater utilities:

Ridgeview Utility Company
SaddleBrooke Utility Company
Lago Del Oro Water Company
Picacho Water Company
Picacho Sewer Company
Pima Utility Company
Mountain Pass Utility Company
Santa Rosa Water Company
Santa Rosa Utility Company

Q. WHAT ARE YOUR RESPONSIBILITIES FOR QCW?

A. I oversee the operations and business management functions for the Company. I am responsible for the daily operations and administration of the utility, for the financial and operating results, for capital and operating cost budgeting, for rate case planning and oversight, and rate setting policies and procedures.

Q. WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND BEFORE GOING TO WORK WITH ROBSON?

A. Before joining Robson in 1995, I was employed as an auditor and a CPA with Kenneth Leventhal/Ernst and Young in Phoenix. In 1991, I received my degree in business administration and accounting from State University of New York at Buffalo.

Q. WHAT OTHER POSITIONS HAVE YOU HELD WITH ROBSON?

A. During my employment with Robson I have, at times, managed the various companies' construction, engineering, marketing, finance and mortgage operations. Additionally, the people operating the independent living and assisted living multifamily projects report to me.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I filed direct and rebuttal testimony in Pima Utility Company's 2011 rate case (consolidated Docket Nos. W-02199A-11-0329 and SW-02199A-11-0330), and direct testimony in Lago Del Oro Water Company's 2013 rate case (Docket No. W-01944A-13-0215).

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS DOCKET?

A. To support QCW's application for a determination of fair value and the setting of new rates. Specifically, I will provide background on the Company and summarize significant capital improvements completed by the Company.

II. OVERVIEW OF QCW

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY.

A. The Company is a water utility providing water service to customers in Pima County. As of year-end 2013, QCW served approximately 2,011 water connections. Mr. Jones provides specific detail on the Company's plant and water resources in his direct testimony.

Q. WHEN WAS THE COMPANY'S LAST RATE CASE?

A. The Company's last rate case was filed based on a test year ending December 31, 1997, with current rates being approved in Decision No. 61611 (April 1, 1999) and becoming effective April 1, 1999.

Q. WHY HAS QCW WAITED SO LONG BETWEEN RATE CASES?

A. As I have previously testified in earlier cases for QCW affiliates, under the direction of my predecessor, the Robson affiliated utilities tended to avoid rate cases. I have begun the process of bringing the various Robson affiliated utilities in for new rates. Pima Utility Company's and Lago Del Oro Water Company's rate cases have been completed and now we are filing for QCW. It is my intent to

bring all our water and sewer utilities in for rate cases over the next few years and thereafter will do so on a more regular basis.

Q. DOES QCW NEED RATE RELIEF?

A. Yes. Since QCW's last case, the Company has added nearly 2,000 customers and dramatically increased its investment in plant facilities. The impact of this investment on rate base together with the impact of steadily increasing expenses and regulatory requirements have left QWC with rates that no longer cover the cost of service, which costs includes a return on the fair value of the plant and facilities.

Q. HAVE THERE BEEN MAJOR CHANGES TO QCW'S OPERATIONS SINCE THE LAST RATE CASE THAT YOU WOULD LIKE TO ADDRESS?

A. As stated, the Company has grown from less than 100 customers to over 2,000 customers since the last case, so obviously major changes have occurred. Mr. Jones provides a detailed explanation of the expansions to the water system and the major plant additions since the last case in his direct testimony. QCW became a Robson affiliate in 1999. As a Robson affiliated utility, QCW is managed and staffed by a workforce shared with other Robson affiliates and enjoys economies of scale that a stand-alone utility would not have.

III. MISCELLANEOUS ISSUES

Q. WHAT IS THE COMPANY'S COMPLIANCE STATUS?

A. To the best of my knowledge, QCW is currently in compliance with the rules and regulations of Pima County, ADEQ, ADWR, and the Commission.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Quail Creek Water Company, Inc.

Direct Testimony of Steven Soriano

Exhibit SS-DT1

Quail Creek Water Company
List of Shareholders
As of December 31, 2013

SHAREHOLDER	OWNERSHIP %
Arlington Property Management Company	1.00%
Edward J. Robson Revocable Trust	32.40%
Steven S. Robson Subchapter S Trust	18.60%
Robert D. Robson Subchapter S Trust	12.00%
Lynda R. Robson 2006 Irrevocable Trust	12.00%
Mark E. Robson 2006 Irrevocable Trust	12.00%
Kimberly A. Robson 2006 Irrevocable Trust	12.00%
Total	100.00%

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DIRECT TESTIMONY OF

RAY L. JONES

September 19, 2014

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I. INTRODUCTION, PURPOSE AND SUMMARY OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ray L. Jones, P.E. My business address is 25213 N. 49th Drive, Phoenix, Arizona 85083.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. On behalf of the Applicant Quail Creek Water Company, Inc. ("QCW" or "Company").

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the owner and principal of ARICOR Water Solutions LC ("ARICOR").

Q. WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND BEFORE GOING TO WORK FOR ARICOR?

A. I began my working career with Citizens Utilities Company ("Citizens") in 1985 as a Staff Engineer for the Maricopa County water and wastewater division. I was employed at Citizens for 17 years, ascending to Vice President and General Manager for the Arizona water and wastewater operations. In 2002, American Water ("American") purchased the water and wastewater assets of Citizens and I joined American as the President of Arizona-American Company. I left American in 2004 to start ARICOR.

I received a Bachelor of Science in Civil Engineering in 1985 from the University of Kansas, and a Master of Business Administration in 1991 from Arizona State University. I am a Registered Professional Engineer in Arizona and California and a Grade 3 Certified Operator in Arizona for all four water and wastewater classifications. I specialize in water resource issues, regulatory strategies, rate case filings and water and wastewater utility management and operations. My resume is attached as **Exhibit RLJ-DT1**.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. In my time with Citizens and American, I prepared or assisted in the preparation of multiple filings before the Arizona Corporation Commission ("Commission"), including rate applications and CC&N filings. Since starting ARICOR, I have prepared several filings and assisted in the preparation of several more filings before the Commission, including rate applications and CC&N filings. I have also provided testimony in all of these cases before the Commission. A summary of my regulatory work experience is included in my resume attached as **Exhibit RLJ-DT1**.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. To support QCW's application for rate relief. Specifically, I will provide an overview of QCW's water system and operations, provide support for plant additions, discuss a review of QCW's Plant in Service and the impact of that review on B-2 Schedules.

II. QCW'S WATER SYSTEM AND OPERATIONS

Q. WHAT IS YOUR RELATIONSHIP TO QCW?

A. I provide consulting services to the water and wastewater companies affiliated with Robson, including QCW. Specifically, I assist and advise QCW on a variety of matters related to their ownership and operation of their water system. In my capacity as a consultant to QCW, I have become familiar with their facilities and operations.

Q. WHO IS ROBSON?

A. By "Robson" I am referring to a group of companies affiliated with Robson Communities, Inc. QCW is one of several water and wastewater utilities regulated by the Commission that is affiliated with Robson Communities, Inc. The Quail Creek community, which includes most of the residential neighborhoods served by

QCW, was developed by Robson Ranch Quail Creek, LLC, which is also affiliated with QCW and Robson Communities, Inc. As further explained in Mr. Soriano's direct testimony, QCW is one of several affiliated water and wastewater utilities providing service in Arizona.[1] The Robson model achieves economies of scale through shared operations, administration and management.

Q. WOULD YOU DESCRIBE QCW'S WATER SYSTEM?

A. QCW's water system is a groundwater-based system serving the master planned communities of Quail Creek and Stone House, both located in the Town of Sahuarita. Sahuarita is located just north of Green Valley about 15 miles south of Tucson, Arizona. QCW's customer base is approximately 95% residential customers, with a small number of commercial customers and irrigation customers. Approximately 93% of residential customers are served by 5/8"x3/4" meters with the remaining residential customers served by 1" and 2" meters. Commercial and irrigation customers are served by meters ranging from 5/8"x3/4" to 4" in size. At year-end 2013, QCW served 2,011 total customers.

QCW's water system consists of a looped distribution system, three wells, two water storage tanks and one booster station. There are two pressure zones. Two ground storage tanks located at Water Plant No. 1 serve as gravity storage for the lower pressure zone with all three wells feeding into the lower pressure zone. A booster station located at Water Plant No. 1 pumps from the storage tanks to provide service to the upper pressure zone. The system is designed to provide reliable service through the use of gravity storage in the lower zone and a backup generator for the booster station serving the upper pressure zone. The system is designed to provide a 1,250 gallon per minute fire flow.

[1] Direct Testimony of Steven Soriano ("Soriano Dt.") at 2:1-10.

A detailed description of QCW's major water system components is attached as **Exhibit RLJ-DT2**.

Q. WHAT IS YOUR OPINION OF QCW'S WATER FACILITIES AND OPERATIONS?

A. My observations indicate that QCW's water facilities are well designed, well maintained, and provide reliable service to the community. QCW's operations staff is highly knowledgeable regarding water system operations and operates the systems in an effective and efficient manner.

Q. WOULD YOU SUMMARIZE QCW'S WATER CONSERVATION PROGRAM?

A. QCW is located in the Tucson Active Management Area and is enrolled as a regulated tier I municipal provider in ADWR's Modified Non-Per Capita Conservation Program ("NPCCP"). As a part of the program, QCW reviewed its water system and proposed Best Management Practices ("BMPs") for implementation in the QCW service area. On June 24, 2010, ADWR approved the following BMPs for QCW -

- Meter Repair and/or Replacement Program

In addition to the BMPs required by ADWR, QCW has voluntarily implemented the following additional BMPs.

- Customer High Water Use Inquiry Resolution
- Customer High Water Use Notification
- Leak Detection Program
- Water Waste Investigation and Information

In addition to the five BMPs, QCW has implemented a Public Education Program as required by the NPCCP.

Q. WHAT ARE THE COMPONENTS OF QCW'S PUBLIC EDUCATION PROGRAM?

A. QCW provides water conservation education through two primary communication channels. QCW provides water wise tips to each of its customers through a note on the water bill during most months. QCW also makes Water Wise pamphlets available at the Quail Creek Water office or, when requested, by mail.

Q. DOES QCW HAVE A PROGRAM TO ADDRESS WATER LOSSES?

A. Yes. All water providers in the Tucson Active Management Area are required to track and report water losses to ADWR. QCW closely monitors this data and implements corrective action as warranted.

Q. HAS QCW DONE A GOOD JOB CONTROLLING WATER LOSS?

A. Yes, QCW's water loss remains well below 10 percent as the Company reported the following lost and unaccounted for water to ADWR for the past three years.

- 2011 – 3.89%
- 2012 – 6.97%
- 2013 – 7.78%

III. PLANT ADDITIONS SINCE LAST RATE CASE

Q. WHAT IS QCW'S MOST RECENT TEST YEAR USED FOR RATEMAKING?

A. The Company's last rate case was filed based on a test year ending December 31, 1997.

Q. PLEASE DESCRIBE THE MAJOR WATER PLANT ADDITIONS ADDED SINCE THE LAST WATER TEST YEAR.

A. At the time of the last rate case there were 67 customers and the system consisted of a single water tank at Water Plant No. 1 and Well No. 13. Since QCW joined Robson Communities in 1999, the Company has added distribution facilities for

twenty-four subdivisions. To serve these new customers, QCW has expanded Water Plant No. 1 to include a second water tank and a booster station for the upper pressure zone. QCW has also added two wells, Well No. 12 and Well No. 13, to the system.

IV. PLANT IN SERVICE REVIEW

Q. DID YOU REVIEW QCW'S PLANT IN SERVICE AND ASSIST WITH PREPARATION OF THE B-2 SCHEDULES FOR THIS FILING?

A. Yes, I conducted an on-site inspection of QCW's facilities and completed a comprehensive review of QCW's fixed asset records and prepared portions of the B-2 Schedules for this filing.

Q. PLEASE DESCRIBE THE SCOPE OF YOUR REVIEW OF QCW'S FIXED ASSET RECORDS.

A. QCW provided me a comprehensive listing of all fixed asset ledger entries, including accumulated depreciation entries. Working with QCW management and operations personnel, each individual ledger entry was reviewed to determine the following:

- Is the asset entry an appropriate plant entry per the NARUC system of accounts?
- Is the asset entry charged to the correct NARUC plant account?
- Has accumulated depreciation been properly recorded?

Q. WHAT CONCLUSIONS DID YOU REACH AFTER YOUR FIXED ASSET RECORD REVIEW?

A. I found QCW's records to be generally in good order and in compliance with the NARUC system of accounts. The asset entries were generally complete with detailed descriptions and suitable backup documentation. I also found a few items that needed attention including the following:

- QCW was not using the composite depreciation rate authorized in the Company's previous rate order to calculate depreciation.
- Plant retirements were not made in strict adherence to NARUC.
- Three assets on QCW's books were developer owned assets ("Developer Owned Assets").
- A few asset items were physically retired, but not retired on QCW's books ("Unbooked Plant Retirements").
- Some assets were classified to the wrong NARUC plant account or required further breakdown to additional NARUC plant accounts.
- Some developer-funded plant related to the Stone House development was not included in QCW's assets ("Unbooked Contributed Plant").
- The purchase of some assets had been deferred beyond the actual in-service date for the facilities ("Deferred Plant Purchases").

Q. HOW WAS QCW CALCULATING DEPRECIATION EXPENSE AND WHAT IMPACT DID IT HAVE ON PLANT BALANCES?

A. QCW was using individual rates for each NARUC account rather than the composite rate of 4.08% authorized in Decision No. 61611. Since use of the individual rates results in a composite depreciation rate less than the authorized 4.08%, accumulated depreciation was being understated.

Q. WAS THIS CORRECTED BEFORE THE RATE APPLICATION WAS FILED?

A. Yes. I will explain the steps I took to address the concerns I discovered later in my direct testimony.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE CONCERNS YOU FOUND. WHAT ISSUES DID YOU IDENTIFY WITH RECORDED PLANT RETIREMENTS?

A. There were two concerns identified. First, the Company was not debiting the full original cost of retired plant to accumulated depreciation as required by NARUC. Instead, QCW was debiting accumulated depreciation by the amount of

accumulated depreciation actually recorded prior to the plant retirement. This causes the accumulated depreciation to be overstated.

The second issue involves the drilling of a new water supply well. NARUC requires the cost of "test wells and nonproductive wells drilled as part of a project resulting in a source of water within the same supply area" to be included in the cost of the final production well. Prior to drilling Well 12, QCW first drilled a nonproductive well (Well 16). Rather than charging the cost of the nonproductive well to Well 12, QCW recorded a retirement of the nonproductive well costs.

Q. WHAT DEVELOPER OWNED ASSETS WERE IDENTIFED ON QCW'S BOOKS?

A. Three assets with a combined value of $78,733 were identified. The assets were related to repair of a developer owned well ($990), pump repairs at a developer owned recharge well ($1,079), and the cost of an aquifer protection permit for recharge wells ($76,664).

Q. WHAT UNBOOKED PLANT RETIREMENTS WERE IDENTIFIED?

A. I identified pumps and piping at Well 11 and Well 13 that had been replaced without the original equipment being retired. I also identified a minor piece of SCADA equipment installed for a nonproductive Well 16 that had not been retired. The total cost of these Unbooked Plant Retirements was $128,730.

Q. WHAT IS THE STONE HOUSE DEVELOPMENT?

A. Stone House is a luxury residential community, with custom homesites, being developed by Diamond Ventures, Inc. Stone House is located immediately adjacent to Robson's Quail Creek development and is planned for 228 homesites. Development of Stone House began in 2005. As discussed in the testimony of

Mr. Soriano, Robson has an ownership interest in Stone House but does not manage or operate the Stone House development.[2]

Q. AND THE UNBOOKED CONTRIBUTED PLANT YOU IDENTIFIED WAS RELATED TO STONE HOUSE?

A. Yes, several items of plant related to the Stone House development were not recorded in the Company's plant records as follows:

Plant Item	Cost	Comment
Stone House - 16" 500 LF	$23,111	Portion of project not QCW Funded
Stone House - 8" 3,260 LF	100,367	Cost of Stone House Off-Site Main
Stone House On-Site Mains	539,700	Cost of Stone House On-Site Mains
Stone House On-Site Services	69,716	Cost of Stone House On-Site Services
Stone House On-Site Hydrants	87,308	Cost of Stone House On-Site Hydrants
TOTAL	$820,205	

Since these assets were not recorded, Plant in Service, Accumulated Depreciation, Contributions in Aid of Construction and Accumulated Amortization of CIAC were all understated.

Q. WHAT IS THE NATURE OF THE DEFERRED PLANT PURCHASES?

A. QCW uses an affiliate to manage and finance construction of plant expansion projects on its behalf. Once the projects are complete, QCW purchases the plant from the affiliate at actual cost without markup or overhead. In some instances these plant purchases were deferred beyond the year in which the facilities were placed into service.

[2] *See* Soriano Dt. at 1:13-23.

The deferral of a plant purchase causes a portion of the useful lives of the plant items to be consumed prior to the plant being booked. This loss of life should be recognized through an adjustment to accumulated depreciation at the time the plant is booked. The Deferred Plant Purchases and the required accumulated depreciation adjustment are summarized by project as follows:

Project	Year In Service	Year Asset Purch.	Project Cost	Accumulated Depreciation Adjustment
Unit 15 Water Distribution System	2007	2011	$ 221,062	$ 36,077
Unit 23 Water Distribution System	2007	2011	184,133	30,051
Unit 24 Water Distribution System	2008	2011	174,844	21,401
McGibbon Water Line Extension	2005	2011	90,390	22,127
Well 11	2002	2009	193,816	55,354
Well 16	2009	2011	510,205	41,633
Water Plant No.1, 2nd Tank	2004	2010	450,000	110,160
Water Plant No. 1, Booster Station	2004	2011	776,457	221,756
	TOTAL		**$ 2,600,907**	**$ 538,559**

Q. HAS THE COMMISSION ADDRESSED THE TREATMENT OF DEFERRED PLANT PURCHASES IN THE PAST?

A. Yes. QCW's affiliate, Lago Del Oro Water Company, faced this same issue in its recent rate case. In Decision No. 74564 (June 20, 2014), the Commission adopted adjustments to accumulated depreciation to recognize the loss of useful life for ratemaking. I have used the same procedure adopted in that case to calculate the required adjustments for QCW here.

Q. WHAT ACTIONS DID YOU TAKE AFTER YOUR FIXED ASSET REVIEW?

A. I constructed an Excel spreadsheet for each service listing all fixed assets entries currently on QCW books. Each line item in the listing was coded to indicate the following:

- Which entries were previously included in rate base and the NARUC account plant account for those entries.
- Which entries are Plant Additions since the last rate case and the correct NARUC plant account for those entries.
- Entries that need further breakdown to additional NARUC plant accounts.
  - For these entries additional lines were added to provide the required additional detail.
- For Deferred Plant Purchases, the actual Plant in Service year was noted and used for calculating accumulated depreciation.

Line items were added to properly reflect plant balances as follows:

- Developer Owned Assets were adjusted to have a zero value.
- Retirement detail was added for Unbooked Plant Retirements.
  - For any asset that was removed from service but a retirement was not recorded, a line item was added to the spreadsheet to record the Unbooked Plant Retirement. The new line item includes the description of the original asset, the NARUC plant account, the retirement date, the retirement amount and, if replaced, the asset number of the new asset.
- Asset detail was added for Unbooked Contributed Plant.
  - For each developer contributed asset, a line item was added to the spreadsheet to record the contributed plant. The new line item includes a description of the asset, the NARUC plan account and the value of the asset.
- Adjustments to record retirements in strict adherence with NARUC.
- For booked retirements, line items were added to the spreadsheet to show the original asset and its retirement.

Q. WHAT DID YOU DO NEXT?

A. The updated asset entries were used to prepare B-2 Schedule pages 3.5 to 3.21 and are the basis for the Plant in Service adjustments shown on Schedule B-2, Page 3, (Column A and Column B) and Accumulated Depreciation adjustments shown on B-2, Page 4 (Column A, Column B and Column C). The B-2 Schedule, pages 3.5 to 3.21 were constructed as follows:

- The book balances for plant and accumulated depreciation at the end of the last test year were reconciled to the balances indicated in the appropriate decision.
- Since accumulated depreciation was calculated on a composite basis in the last rate case, accumulated depreciation was allocated to the individual plant accounts.
- From these reconciled beginning balances, plant additions, adjustments, retirements, depreciation, plant balances and accumulated depreciation were calculated and brought forward for each year from the previous test year to year-end 2012.
    - Depreciation was calculated using a 4.08% depreciation rate as specified in LDO's last rate order.

In addition, the entries were used to prepare B-2 Schedule Page 5.1 detailing Contributions-in-aid of Construction and Accumulated Amortization of CIAC. B-2 Schedule Page 5.1 is the basis for the adjustments to Contributions-in-aid of Construction and Accumulated Amortization of CIAC shown on Schedule B-2, Page 5.

Q. WHAT IS THE END RESULT OF YOUR REVIEW AND CONSTRUCTION OF THE B-2 DETAIL SCHEDULES?

A. The result is calculated Plant in Service balances, accumulated depreciation balances, Contributions-in-aid of Construction and Accumulated Amortization of CIAC balances for year-end 2013 that are consistent with the NARUC system of accounts and tie back to the previous rate order. These balances are the appropriate balances to use in determining QCW's rate base and depreciation expense. For convenience, I have summarized my findings and the reconciliation I described above in the following table:

Plant In Service	
Water Plant In Service Per Books	$6,958,696
Remove Developer Owned Assets	(78,733)
Record Unbooked Contributions	820,205
Record Unbooked Plant Retirements	(128,370)
Retirement Adjustments (conforming to NARUC)	251,984
Adjusted Water Plant In Service	$7,823,782
Accumulated Depreciation	
Accumulated Depreciation Per Books	$1,054,550
Record Unbooked Plant Retirements	(128,370)
Retirement Adjustments (conforming to NARUC)	251,984
Adjustment of Deferred Plant Purchases	538,559
Adjustment to Reconcile Book to Calculated	501,563
Adjusted Accumulated Depreciation	2,404,777
Contributions-in-aid of Construction	
Contributions-in-aid of Construction per Books	$0
Adjusted Contributions-in-aid of Construction	$820,205
Accumulated Amortization of CIAC	
Accumulated Amortization of CIAC per Books	$0
Adjusted Accumulated Amortization of CIAC	$284,447

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Quail Creek Water Company, Inc.

Direct Testimony of Ray L. Jones

Exhibit RLJ-DT1

ARICOR
Water Solutions

25213 N. 49th Drive
Phoenix, AZ 85083

Ray L. Jones P.E.
Principal

EXPERTISE

Mr. Jones formed ARICOR Water Solutions in 2004. Through ARICOR Water Solutions, Mr. Jones offers a wide range of engineering and financial analysis services to the private and public sectors. Projects include development of regulatory strategies and preparing rate cases, including preparation of rate studies, cost of service studies, financial schedules and testimony for filings before the Arizona Corporation Commission. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis, water resources strategy development and water rights valuation. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.

EMPLOYMENT HISTORY

2002 to 2004 — **Arizona-American Water Company**
President
Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1998 to 2002 — **Citizens Water Resources, Arizona Operations**
Vice President and General Manager
Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1990 to 1998 — **Citizens Water Resources, Arizona Operations**
Engineering and Development Services Manager
Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.

1985 to 1990 — **Citizens Water Resources, Arizona Operations**
Civil Engineer
Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

EDUCATION

Arizona State University – Master of Business Administration (1991)
University of Kansas – Bachelor of Science in Civil Engineering (1985)

ARICOR Water Solutions

PROFESSIONAL CERTIFICATION

Registered Professional Engineer – Civil Engineering – Arizona
Professional Engineer – Civil Engineering – California
Certified Operator – Wastewater Treatment, Wastewater Collection, Water Treatment, Water Distribution – Arizona

PROFESSIONAL AFFILIATIONS

- Director - Water Utilities Association of Arizona (1998 – 2004)
- Member - American Society of Professional Engineers
- Member - American Water Works Association
- Member - Arizona Water Pollution Control Association
- Member - Water Environment Federation

CIVIC AND COMMUNITY INVOLVEMENT

- Advisory Member - Water Resources Development Commission (2010 – 2012)
- Board of Directors – Greater Maricopa Foreign Trade Zone (2009 – Present)
- Chairman WESTMARC (2008)
- Director and Member of the Executive Committee- WESTMARC (1998 – 2010)
- Co-Chairman, WESTMARC Water Committee (2006 – 2007)
- Chairman-Elect WESTMARC (2007)
- Member – Corporate Contributions Committee, West Valley Fine Arts Council Diamond Ball (Chairman 2005)
- Member – Technical Advisory Committee – Governor's Water Management Commission (2001)
- Board Member, Manager & Past Chairman – North Valley Little League Softball

REGULATORY EXPERIENCE

Testimony has been provided before the Arizona Corporation Commission in the dockets listed below. Unless otherwise indicated testimony was provided on behalf of the utility.

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
1992	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-92-244
1993	Sun City Water Company Sun City Sewer Company	CC&N Extension (Addition of Coyote Lakes)	U-1656-93-060 U-2276-93-060
1993	Tubac Valley Water Co., Inc.	CC&N Extension (Various Subdivisions on western border)	U-1595-93-241
1993	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-93-293
1995	Citizens Utilities Company Sun City Water Company Sun City Sewer Company Sun City West Utilities Company Tubac Valley Water Company	Ratemaking	E-1032-95-417 U-1656-95-417 U-2276-95-417 U-2334-95-417 U-1595-95-417
1996	City Water Company Sun City Sewer Company	CC&N Extension (Acquisition of Youngtown)	U-1656-96-282 U-2276-96-282
1996	Citizens Utilities Company	CC&N Extension and Deletion (Realignment of Surprise Bdry.)	E-1032-96-518
1998	Sun City Water Company Sun City West Utilities Company	CAP Water Plan and Accounting Order (Sun Cities CAP plan)	W-01656A-98-0577 SW-02334A-98-0577

ARICOR Water Solutions

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104
2010	Chino Meadows II Water Company	Ratemaking	W-02370A-10-0519
2011	Pima Utility Company	Ratemaking	W-021999A-11-0329 WS-02199A-11-0330
2011	Tusayan Water Development Association, Inc. (Representing the Town of Tusayan)	Ratemaking	W-02350A-10-0163
2012	Valley Utilities Water Company, Inc.	Ratemaking	W-01412A-12-0195

ARICOR Water Solutions

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2012	Far West Water & Sewer, Inc.	Ratemaking	WS-03478A-12-0307
2012	Sahuarita Water Company, LLC	Amend Off-Site Facilities Hook-Up Fee	W-03718A-09-0359
2012	New River Utility Company	Ratemaking	W-01737A-12-0478
2013	Far West Water & Sewer, Inc.	New Off-Site Facilities Hook-Up Fees	WS-03478A-13-0200
2012	Adman Mutual Water Company	Ratemaking	W-01997A-12-0501
2013	Far West Water & Sewer, Inc.	CC&N Extension	WS-03478A-13-0250
2013	Lago Del Oro Water Company	Ratemaking	W-01944A-13-0215
2013	Lago Del Oro Water Company	Financing	W-01944A-13-0242
2012	Sunrise Water Company	Financing	W-02069A-12-0261
2010	Far West Water & Sewer, Inc.	CC&N Extension	WS-03478A-10-0523
2014	Granite Mountain Water Co., Inc.	Ratemaking	W-02467A-14-0230
2014	Chino Meadows II Water Co., Inc.	Ratemaking	W-02370A-14-0231

Quail Creek Water Company, Inc.

Direct Testimony of Ray L. Jones

Exhibit RLJ-DT2

QUAIL CREEK WATER COMPANY

Major Water System Components
September 17, 2014

General

Quail Creek Water Company's ("Quail Creek") water system is a groundwater-based system serving the master planned communities of Quail Creek and Stone House, both located in the Town of Sahuarita, Arizona in Pima County.

Quail Creek currently serves approximately 2,011 customers. Quail Creek's customer base is approximately 95% residential customers, with a small number of commercial customers and irrigation customers. Approximately 93% of residential customers are served by 5/8"x3/4" meters with the remaining residential customers served by 1" and 2" meters. Commercial and irrigation customers are served by meters ranging from 5/8"x3/4" to 4" in size.

Quail Creek Water System

Quail Creek's water system consists of a looped distribution system, three wells, two water storage tanks and one booster station. There are two pressure zones. Two ground storage tanks located at Water Plant No. 1 serve as gravity storage for the lower pressure zone with all three wells feeding into the lower pressure zone. A booster station located at Water Plant No. 1 pumps from the storage tanks to provide service to the upper pressure zone. The system is designed to provide reliable service through the use of gravity storage in the lower zone and a backup generator for the booster station serving the upper pressure zone. The system is designed to provide a 1,250 gallon per minute fire flow.

The Quail Creek water system facilities are summarized below:

Water Plants No. 1:

WP #1 – 2 – 750,000 gallon storage tanks with cathodic protection
4 – Booster pumps
1 – 13,000 gallon hydropneumatic tank
1 – Natural gas driven backup generator
Associated piping and electrical gear

Wells:

Well 11 – 55-608597 – Equipped with submersible pump and motor, chlorine solution feeder and related piping and electrical gear. Pumps to low pressure zone.

Well 12 – 55-219145 – Equipped with line shaft turbine pump and motor, chlorine solution feeder and related piping and electrical gear. Pumps to low pressure zone.

Well 13 – 55-608522 – Equipped with line shaft turbine pump and motor, chlorine solution feeder and related piping and electrical gear. Pumps to low pressure zone.

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Telephone (602) 916-5000

Attorneys for Quail Creek Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF QUAIL CREEK WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02514A-14-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

September 19, 2014

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I. INTRODUCTION AND QUALIFICATION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a self-employed Certified Public Accountant providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice the past 15 years, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of Quail Creek Water Company, Inc. ("QCW" or the "Company"). QCW is seeking increases in its rates and charges for water utility service in its certificated service area.

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the Company's proposed adjustments to its rates and charges for water utility service. I am sponsoring the direct schedules, which are filed concurrently herewith in support of the Company's application. I was responsible for the preparation of these schedules based on my investigation and review of QCW's relevant books and records, and I was assisted by another witness, Ray Jones, with the plant or B schedules as he discusses in his direct testimony.

For the convenience of the Commission and the parties, the two portions of my direct testimony, each with the relevant schedules attached, are being filed separately in this case. In this volume of my direct testimony, I address the rate base, income statement (revenue and operating expenses), required increase in revenue, and rate design and proposed rates and charges for service. Schedules A through C, E-F, and H are attached to this portion of my direct testimony. QCW has not prepared a cost of service study. Consequently the G schedules are omitted.

Q. THANK YOU. PLEASE CONTINUE.

A. In the second volume of my direct testimony, to which the D schedules are attached, I address cost of capital. QCW is requesting a return on common equity of 10 percent. As shown on Schedule D-1, the Company's capital structure used for ratemaking purposes consists of approximately 100 percent equity and 0 percent debt. The weighted average cost of capital is 10 percent.

Q. IS THE CAPITAL STRUCTURE DESCRIBED ABOVE THE ACTUAL CAPITAL STRUCTURE AT THE END OF THE TEST YEAR?

A. Yes.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The test year used by QCW is the 12-month period ending December 31, 2013. The Company is requesting a 10 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses and revenues. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications.[1] These adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's proposed fair value rate base is $3,678,863. The increase in revenues to provide for recovery of operating expenses and a 10.0 percent return on rate base is approximately $411,785, an increase of 48.75 percent over the adjusted and annualized test year revenues.

III. SCHEDULES

A. Summary of A, E and F Schedules

Q. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenues. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains the Company's capital structure for the test year and the two prior years.

[1] *See* A.A.C. R14-2-103.

Schedule A-4 contains the plant construction, and plant-in-service for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the Company's changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data for the years 2011, 2012, and 2013 ended on December 31.

Schedule E-2, page 1, contains the income statement for the years 2011, 2012, and 2013 ended on December 31.

Schedule E-3 contains the statements of changes in the Company's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains the Company's plant-in-service at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2011, 2012, and 2013 ended on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements. The Company does not prepare audited financial statements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows the Company's projected construction requirements for 2014, 2015, 2016.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

B. Rate Base (B Schedules)

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the working capital allowance. I used the "formula method" of computing the working capital allowance to reduce costs. However, the Company is not requesting a working capital allowance.

Q. WHY DIDN'T THE COMPANY PREPARE A LEAD-LAG STUDY AND USE THE RESULTS OF THAT STUDY TO COMPUTE WORKING CAPITAL?

A. Because the Company is not seeking a working capital allowance and the costs to prepare a lead-lag study outweigh the benefits.

Q. THANK YOU. PLEASE CONTINUE.

A. The Company did not file Schedules B-3 and B-4. To limit issues in dispute and reduce rate case expense, QCW is requesting that its original cost rate base ("OCRB") be used as its FVRB.

...

...

...

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the OCRB proposed by the Company. Schedule B-2, pages 2 through 6, provide the supporting information. These adjustments are, in summary:

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service ("PIS"). There are four PIS adjustments included in Adjustment 1. These are shown on Schedule B-2, page 3, and are labeled as adjustments "A," "B," "C" and "D."

Adjustment A of B-2 adjustment number 1 adjusts PIS to reflect Company proposed adjustments to plant. The proposed PIS adjustments are discussed in more detail in the Direct Testimony of Ray Jones.[2]

Adjustment B of B-2 adjustment number 1 adjusts PIS to reflect Company proposed retirements. The proposed retirements are discussed in more detail in the Direct Testimony of Ray Jones.[3]

Adjustment C of B-2 adjustment number 1 adjusts PIS to reflect QCW proposed reclassifications to PIS. The adjustment nets to a zero total adjustment to PIS. The plant reclassifications are also discussed in more detail in Mr. Jones' direct.[4]

Adjustment D of B-2 adjustment number 1 reflects adjustments to reconcile the PIS balance to the reconstructed PIS balance shown on Schedule B-2, pages 3.5 to 3.21.

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[2] Direct Testimony of Ray Jones at 6-13.

[3] *Id.*

[4] *Id.*

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation ("A/D"). The details of the A/D adjustments are shown a Schedule B-2, page 4. There are three A/D adjustments included in Adjustment 2. These are shown on Schedule B-2, page 4, and are labeled as adjustments "A," "B," and "C."

Adjustment A of B-2 adjustment number 2 adjusts A/D for the proposed PIS adjustments shown in Adjustment A of B-2 adjustment number 1.

Adjustment B of B-2 adjustment number 2 adjusts A/D depreciation related to the proposed retirements discussed earlier in Adjustment B of B-2 adjustment number 1.

Adjustment C of B-2 adjustment number 2 adjusts A/D to reflect the re-computed amounts of A/D per the Company's B-2 plant detail schedule, Schedule B-2, pages 3.5 to 3.21.

Q. PLEASE CONTINUE.

A. B-2 adjustment number 3 shown on Schedule B-2, page 2, adjusts the accumulated amortization balance of contributions-in-aid of construction ("CIAC") to the recomputed amount reflecting the annual composite depreciation rate for plant-in-service. The details of this adjustment are shown on Schedule B-2, pages 5 and 5.1. The adjustment to gross CIAC reflects, in part, how the PIS adjustments proposed in B-2 Adjustment 1-A were funded.

Q. ARE THERE ANY ADJUSTMENTS TO ADVANCES-IN-AID OF CONSTRUCTION?

A. No. The Company does not have any advances-in-aid of construction ("AIAC").

Q. PLEASE CONTINUE.

A. B-2 adjustment number 4 adjusts accumulated deferred income taxes ("ADIT") based on the Company proposed adjusted PIS, A/D, AIAC, and CIAC.

The Company's computation of the ADIT balance recognizes the differences in the adjusted basis of its assets and the tax basis of its assets and uses the effective tax rates computed on the Schedule C-3, page 2. The details of the Company's ADIT computation are shown on Schedule B-2, pages 5 and 5.1.

Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON A-1 DETERMINED?

A. As stated, the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the current values of the Company's plant and property.

C. <u>Income Statement (C Schedules)</u>

Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE REVENUES AND/OR EXPENSES STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The following is a summary of adjustments shown on Schedule C-1 and detailed on Schedule C-2:

Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates approved in QCW's last rate case were composite rates. QCW proposes to use account specific rates going forward. The depreciation rates are based on Staff's typical and customary depreciation rates.

Adjustment 2 reduces property taxes. QCW has recognized the reduction in the assessment ratio contained in A.R.S. § 42-15001, entitled "Assessed Valuation of Class One Property." The 2014 and 2015 assessment ratio is 19.0 percent. However, the assessment ratio will be reduced to 18 percent beginning in the tax year ending December 2015 and going-forward. Accordingly, QCW has proposed an assessment ratio of 18 percent in recognition of the reduction currently

scheduled to take effect to tax years after 2015. This is clearly a known and measurable pro forma adjustment.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 3 shows the rate case expense estimated by the Company. The Company estimates rate case expense of $200,000. The Company proposes that rate case expense be recovered over five years because it believes a five-year cycle for future rate cases is reasonable given this utility's circumstances.

Q. WHAT CIRCUMSTANCES?

A. As Mr. Soriano explains in his direct testimony, the plan is to bring all of the Robson utilities in for new rates on a more regular basis.[5] This practice may differ from the previous practice, but Mr. Soriano has consistently testified in recent rate cases for QCW's affiliates, Pima Utility Company and Lago del Oro Water Company, that the plan is to bring all the utilities in on a roughly five year cycle.

Q. HOW DID YOU ARRIVE AT THE AMOUNT OF RATE CASE EXPENSE?

A. Given QCW's size and the anticipated nature, length and complexity of the proceedings, I estimate this rate case to cost a total of $200,000. This analysis is based on my experience with rate cases before the Commission, and that of the Company's legal counsel.

Q. PLEASE EXPLAIN WHY YOU REFER TO THIS AMOUNT AS AN "ESTIMATE."

A. Because I can't see the future, I can only make some guesses based on my experience. The specifics of who may intervene, what unique issues may come into dispute, what kind of procedural problems we will encounter, etc. I cannot

[5] Direct Testimony of Steven Soriano at 3:24 – 4:2.

predict. I know rate cases are lengthy and expensive, but I still have to start with an estimate.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is based on the number of customers at the end of the test year, compared to the actual number of customers during each month of the test year. Average revenues per customer by month were computed for the test year and then multiplied by the increase (or decrease) in number of customers for each month of the test year. The total of the monthly revenue change comprises the revenue annualization. This was done for each customer class.

Adjustment 5 annualizes purchased power expense based on the additional gallons sold from annualizing revenues to the year-end number of customers in Adjustment 4, above. This adjustment is intended to match the additional expense associated with the revenue annualization.

Adjustment 6 is intentionally left blank.

Adjustment 7 removes other income and expense to eliminate their impact on income taxes.

Adjustment 8 reflects income taxes based upon the Company adjusted test year revenue and expense.

Q. IS THE COMPANY PROPOSING A LOWER ARIZONA INCOME TAX RATE BASED UPON RECENT CHANGES IN THE LAW?

A. Yes. By law (A.R.S. § 43- 1111) the Arizona corporate income tax rate will be reduced to 4.9 percent for taxable years beginning from and after December 31, 2016. The Company is proposing an Arizona Tax Rate of 4.9 percent in recognition the reduction scheduled to take effect to tax years after 2015. This is a

similar known and measurable adjustment to the one I discussed above for property taxes.

D. Rate Design (H Schedules)

Q. WHAT ARE THE COMPANY'S PRESENT RATES FOR WATER SERVICE?

A. The Company's present rates are:

MONTHLY SERVICE CHARGES (All Classes)

5/8" x 3/4" Meter	$ 15.00
3/4" Meter	$ 20.00
1" Meter	$ 25.00
1 1/2" Meter	$ 50.00
2" Meter	$ 80.00
3" Meter	$150.00
4" Meter	$250.00
6" Meter	$500.00

COMMODITY RATES

All Gallons Charge (per 1,000 gallons)	$2.80
Standpipe (per 1,000 gallons)	$2.80

Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR WATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES (All Classes)

5/8" x 3/4" Meter	$ 21.23
3/4" Meter	$ 28.30

	1" Meter		$ 35.38
	1 1/2" Meter		$ 70.75
	2" Meter		$113.20
	3" Meter		$212.25
	4" Meter		$353.75
	6" Meter		$707.50
	Gallons in minimum (All classes)		0
	COMMODITY RATES		
	5/8"X3/4" Meter – Residential	1 to 4,000	$ 3.58
		4,001 to 10,000	$ 4.68
		Over 10,000	$ 5.78
	5/8"X3/4" Meter – Non-residential	1 to 10,000	$ 4.68
		Over 10,000	$ 5.78
	3/4" Meter – Residential	1 to 4,000	$ 3.58
		4,001 to 10,000	$ 4.68
		Over 10,000	$ 5.78
	3/4" Meter – Non-residential	1 to 10,000	$ 4.68
		Over 10,000	$ 5.78
	1" Meter – All Classes	1 to 17,000	$ 4.68
		Over 17,000	$ 5.78
	1 ½" Meter – All Classes	1 to 33,000	$ 4.68
		Over 33,000	$ 5.78

2" Meter – All Classes	1 to 53,000	$ 4.68
	Over 53,000	$ 5.78
3" Meter – All Classes	1 to 100,000	$ 4.68
	Over 100,000	$ 5.78
4" Meter – All Classes	1 to 167,000	$ 4.68
	Over 167,000	$ 5.78
6" Meter – All Classes	1 to 333,000	$ 4.68
	Over 333,000	$ 5.78
Standpipe (per 1,000 gallons)	All gallons	$ 5.78

Q. IS THE COMPANY'S RATE DESIGN A CONSERVATION ORIENTED RATE DESIGN?

A. Yes. Inverted tier rate designs are conservation oriented. The smaller residential meters (5/8"x3/4" and ¾") are on an inverted three tier rate design and all other meter sizes are on an inverted two tier design. The Company's proposed rate design provides somewhat less revenue stability than the current rate design in that it provides for about 44.4 percent of the revenue requirement from monthly minimums compared to about 46.8 percent of revenues derived from the monthly minimums under present rates.[6] Ideally, the portion of revenue derived from the monthly minimums should be closer to 50 percent.

Q. WHAT METER SIZE ARE THE MAJORITY OF CUSTOMERS ON AND WHAT WAS THE AVERAGE MONTHLY BILL DURING THE TEST YEAR?

[6] *See* Schedule H-2, pages 3 and 4.

A. The largest customer class is the 5/8x3/4 inch residential class. This customer class comprises about 89 percent of the customers and contributes about 77.5 percent of the revenues under present rates. As shown on Schedule H-2, page 1, the average monthly bill under present rates for a 5/8x3/4 inch residential customer using an average 5,725 gallons is $31.03.

Q. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch residential customer using an average 5,725 gallons is $43.63 – a $12.60 increase over the present monthly bill or a 40.62 percent increase; about 8 percent lower than the overall requested revenue increase in the instant case.

1. Other Tariff Changes

Q. IS THE COMPANY PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES?

A. Yes. The Company is proposing to add an after-hours service charge which applies to all services performed after-hours. Accordingly, the Company is proposing to remove the Establishment Fee – After-Hours service charge.[7] The Company is not proposing any other changes.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO METER AND SERVICE LINE INSTALLATION CHARGES?

A. Yes. The Company is proposing new charges based upon the Staff Engineering recommendations for typical meter and service line installation charges.[8]

[7] *See* Schedule H-3, page 3.

[8] *Id.*

2. Purchased Power Adjustment Mechanism ("PPAM")

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED PURCHASED POWER ADJUSTMENT MECHANISM.

A. The Company is proposing a cost recovery adjustment mechanism for purchased power known as a purchased power adjustment mechanism or PPAM. The purchased power expense included in operating expenses will serve as the base amounts for calculating the amounts to be recovered or refunded when increases or decreases in purchased power are incurred in future years. Only the increase (decrease) in purchased power expense caused by an increase (decrease) in power rates will be recovered and not the increase (decrease) in expense due to changes in volume of water.

Q. HAVE YOU PREPARED A SAMPLE CALCULATION FOR THESE ADJUSTMENT MECHANISMS?

A. Yes. Attached to this testimony as **Exhibit TJB-DT1** is a sample calculation. The numbers in the example do not reflect the actual numbers in the instant case and are used for illustrative purposes only.

Q. PLEASE EXPLAIN HOW THE PROPOSED PURCHASED POWER ADJUSTMENT MECHANISM WILL WORK?

A. Whenever the Company's purchased power expense increases or decreases from the amount adopted by this Commission in the instant case (or any subsequent case), the Company will file a schedule with the Commission setting forth an adjustment per 1,000 gallons to recover the increased or decreased purchased power expense based on the following procedure:

Step 1 – This step determines the purchased power cost variance ("PPCV") and the unitized purchased power cost variance ("UPPCV"). The test year will service as the base period. The PPCV will be determined by multiplying the

difference between the test year per kilowatt hour cost and the current year per kilowatt hour cost by the test year kilowatt hours used. The UPPCV will be determined by dividing the PPCV by the gallons pumped during the test year.

Step 2 – This step determines the excess water loss for the current year ("EWLCY"). To determine the EWLCY, the Company will first compute the wallet loss for the current year ("WLCY") based upon the difference between the gallons pumped during the current year ("GPCY") and the actual gallons sold during the current year ("AGSCY") plus other accounted for water ("OAW"). Next, the Company will compute the water loss allowed for the current year ("WLACY") by multiplying the GPCY by 10 percent. Finally, the EWLCY will be determined by the difference between the WLCY and WLACY. If WLCY is less than WLACY, then the EWLCY will be zero. In other words, current water loss is less than 10 percent; the minimum acceptable water loss rate. If WLCY is greater than WLACY, then there is excess water loss above the acceptable 10 percent threshold. The EWLCY will serve as the basis to compute the unrecoverable amount of PPCV in Step 3.

Step 3 – This step determines the purchased cost variance recovery to be disallowed ("PPCVRD") due to excessive water loss. The PPCVRD will be determined by multiplying the EWLCY (computed in Step 2) by the UPPCV (computed in Step 1). The PPCVRD will be used in Step 4 to determine the purchased power adjustment (the amount to be recovered from rate payers.)

Step 4 – This step determines purchase power adjustment ("PPA") and the unitized purchased power adjustment ("UPPA"). The PPA will be determined by subtracting the PPCVRD (computed in Step 3) from the PPCV (computed in Step 1) and adding any prior year purchased power cost variance carry over ("PPCVCO") amount. The UPPA will be determined by dividing the PPA by the

GPTY. The UPPA per 1,000 gallons will be determined by dividing the PPA by the GPTY and multiplying the result by 1,000 and rounded to the nearest cent.

The computed UPPA must amount to at least $.01 per thousand gallons, after rounding the calculation, before a pass-through to customers can be made. If the calculation of the UPPA results in a positive or negative value change of less than $.01 per thousand gallons, the PPA will be carried over the next year. In the event of a carry over, the PPA amount will be subject to a true-up.

Q. WHAT WILL BE THE AMOUNT APPEARING ON THE CUSTOMER'S BILL?

A. The purchased power adjustment charge ("PPAC") on the customer bill will be equal to UPPA times the actual gallons used (in 1,000's) including any gallons included in the minimum charge and rounded to the nearest whole cent.

Q. ARE THERE ANY OTHER PROVISIONS OF THE PURCHASED POWER ADJUSTER MECHANISM?

A. Yes. First, within 60 days of the effective date of a Commission decision authorizing a rate change in the approved tariffs for any ACC-regulated electric service provider supplying retail service to the Company, the Company shall file with docket control an analysis of the actual impact on the energy portion of the Company's electric service costs.

Second, the Company will break down its total purchased power bill into the amount due to fixed fees, volume of electricity used, and the rates paid per unit of electricity. For the period following the rate change, the Company will provide the same information, then compare the two periods, isolating any change in purchased power cost that is due exclusively to a rate change. The specific intent is to show exactly how much of any increase or decrease is due to changes in rate beyond the Company's control and how much is due to a change in the amount of

power that Company consumes. The Company will only recover increases or refund decreases that are due to changes in rate.

Three, all revised schedules filed with the Commission pursuant to the provisions of this PPAM will be accompanied by documentation prepared by the Company in a format approved by the Utilities Division Staff and will contain sufficient detail to enable the Commission to verify the accuracy of the Company's calculations.

Fourth, the surcharges will not become effective until approved by the Commission.

Fifth, the Company will file annually with the Commission a report detailing its purchased power costs and any conservation or power-shifting measures employed by the Company.

Sixth, the Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

Q. WILL THE ADOPTION OF THIS ADJUSTMENT MECHANISM LEAD TO A SIGNIFICANT AMOUNT OF ADDITIONAL WORK?

A. No, it will be relatively easy to determine the PPA each year and to compute the amount of the charge or credit, as the case may be, that is applied to the customer's bill. It should also be easy for Staff to verify the calculation. I have modeled the PPAM on ones recently approved for other water and wastewater utilities by the Commission.[9]

Q. WHAT IS THE COMPANY'S JUSTIFICATION FOR IMPLEMENTING THESE ADJUSTMENT MECHANISMS?

A. Cost-adjustment mechanisms first appeared in the electric and gas industries to

[9] *See Liberty Utilities (Litchfield Park Water & Sewer) Corp.*, Docket No. SW-01428A-13-0042, *et al.*

help utilities contend with rising fuel costs. These mechanisms are now widely used in ratemaking for water utilities in a number of states, especially in connection with purchased power, purchased water and various taxes. These mechanisms allow utilities to pass along cost increases or decreases that are essentially out of a utility's control. The closer match between costs and customer bills reduces regulatory lag and creates a more efficient price signal. It also helps to ensure the utility has an opportunity to earn its authorized rate of return. Thus, adjustment mechanisms benefit both utilities and their customers.

In the instant case, the amount that the Company must pay for purchased power is also a significant portion of its operations and maintenance costs, approximately 13 percent of total operating expenses. The Company has no control of the rates it must pay for purchased.

Q. WHO IS THE COMPANY'S ELECTRIC UTILITY?

A. Tucson Electric Power ("TEP"), whose rates for electric service are set by the Commission. And the PPAM only addresses increases in the cost of power. When the Commission allows TEP to charge more, I respectfully believe it should also allow those of TEP's customers, which are likewise regulated by the Commission, to keep up with those rising costs. Of course, it works both ways – if TEP's rates for service go down, then the PPAM will work to lower the Company's rates. For these reasons, I think the request for a PPAM is fair and reasonable.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Quail Creek Water Company, Inc.

Direct Testimony of Thomas J. Bourassa
Rate Base, Income Statement and Rate Design

Exhibit TJB-DT1

Quail Creek Water Company
Purchased Power Adjuster Mechanism (PPAM) Calculation

Exhibit
Page 1 of 1

Line No.						
1	**Step 1 - Calculation of Purchased Cost Variance and Unitized Purchased Power Cost Variance**		**Formula**			
2	Cost per Kilowatt Hour Current Year	CKWHCY		$	0.10	per Kwh
3	Cost per Kilowatt Hour Test Year	CKWHTY		$	0.08	per Kwh
4	Kilowatt Hours Used Test Year	KWHUTY			1,250,000	Kwh
5	Purchased Power Cost Variance	PPCV	(CKWHCY minus CKWHTY) times KWHUTY	$	25,000	
6	Gallons Pumped Test Year	GPTY			400,000,000	gallons
7	Unitized Purchased Power Cost Variance	UPPCV	PPCV divided by GPTY	$	0.0000625	per gallon
8						
9						
10	**Step 2 - Calculation of Excess Water Loss for Current Year**					
11	Gallons Pumped Current Year	GPCY			450,000,000	gallons
12	Actual Gallons Sold in Current year	AGSCY			390,000,000	gallons
13	Other Accounted for Water	OAW			-	gallons
14	Total Accounted For Water Current Year	TAWCY	AGSCY plus OAW		390,000,000	gallons
15	Water Loss Current Year	WLCY	GPCY minus TAWCY		60,000,000	gallons
16	Water Loss Allowed Current Year	WLACY	GPCY times 10%		45,000,000	gallons
17	Excess Water Loss Current Year	EWLCY	WLCY minus WLACY, zero if less than zero		15,000,000	gallons
18						
19	**Step 3 - Calculation of Purchase Cost Variance Recovery to be Disallowed**					
20	Unitized Purchased Power Cost Variance	UPPVC	from Step 1	$	0.0000625	per gallon
21	Excess Water Loss Current Year	EWLCY	from Step 2		15,000,000	gallons
22	Purchased Power Cost Variance Recovery Disallowed	PPCVRD	UPPCV times EWLCY	$	937.50	
23						
24	**Step 4 - Calculation of Purchased Power Adjustment**					
25	Purchased Power Cost Variance	PPCV	from Step1	$	25,000	
26	Purchased Power Cost Variance Recovery Disallowed	PPCVRD	from Step 3	$	938	
27	Purchased Power Cost Variance Carry Over	PPCVCO	from prior year(s)	$	-	
28	Purchased Power Adjustment	PPA	PPCV minus PPCVRD plus PPCVCO	$	24,063	
29	Gallons Pumped Test Year	GPTY			400,000,000	gallons
30	Unitized Purchased Power Adjustment	UPPA	PPA divided by GPTY		0.00006016	per gallon
31	Unitized Purchased Power Adjustment per 1,000 gallons	UPPA	PPA divided by GPTY times 1,000		0.06	per 1,000 gallons
32						
33						
34						
35	**Purchased Power Adjustment Charge (PPAC) on Sample Customer Bill**					
36	Unitized Purchased Power Adjusment per 1,000 gallons	UPPA		$	0.06	
37	Actual Gallons Used (in 1,000's)				5	
38	PPAC on Sample Customer Bill			$	0.30	
39						

Quail Creek Water Company, Inc.

Direct Testimony of Thomas J. Bourassa
Rate Base, Income Statement and Rate Design

Schedules
A-C, E-F & H

Quail Creek Water Company
Test Year Ended December 31, 2013
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.							
1	Fair Value Rate Base					$	3,678,863
2							
3	Adjusted Operating Income						118,963
4							
5	Current Rate of Return						3.23%
6							
7	Required Operating Income					$	367,886
8							
9	Required Rate of Return on Fair Value Rate Base						10.00%
10							
11	Operating Income Deficiency					$	248,924
12							
13	Gross Revenue Conversion Factor						1.6543
14							
15	Increase in Gross Revenue						
16	Requirement					$	411,785
17							
18	Adjusted Test Year Revenues					$	844,719
19	Increase in Gross Revenue Revenue Requirement					$	411,785
20	Proposed Revenue Requirement					$	1,256,504
21	% Increase						48.75%
22							
23	**Customer**		**Present**		**Proposed**	**Dollar**	**Percent**
24	**Classification**		**Rates**		**Rates**	**Increase**	**Increase**
25	5/8x3/4 Inch	Residential	$ 654,321	$	944,185	$ 289,864	44.30%
26	3/4 Inch	Residential	-		-	-	0.00%
27	1 Inch	Residential	64,595		98,366	33,771	52.28%
28	1 1/2 Inch	Residential	-		-	-	0.00%
29	2 Inch	Residential	3,424		5,872	2,448	71.51%
30							
31	5/8x3/4 Inch	Commercial	$ 20,007	$	32,469	$ 12,462	62.29%
32	3/4 Inch	Commercial	-		-	-	0.00%
33	1 Inch	Commercial	11,118		20,795	9,677	87.04%
34	1 1/2 Inch	Commercial	9,942		18,822	8,879	89.31%
35	2 Inch	Commercial	28,157		49,459	21,302	75.65%
36	3 Inch	Commercial	-		-	-	0.00%
37	6 Inch	Commercial	-		-	-	0.00%
38							
39	5/8x3/4 Inch	Irrigation	$ 10,246	$	19,254	$ 9,008	87.91%
40	3/4 Inch	Irrigation	-		-	-	0.00%
41	1 Inch	Irrigation	2,514		4,483	1,969	78.32%
42	1 1/2 Inch	Irrigation	3,957		7,181	3,224	81.47%
43	2 Inch	Irrigation	9,033		16,688	7,655	84.75%
44	3 Inch	Irrigation	-		-	-	0.00%
45	4 Inch	Irrigation	6,753		10,851	4,098	60.68%
46							
47	Revenue Annualization		$ 13,906	$	20,887	6,981	50.20%
48							
49							
50							
51	**Subtotal**		$ 837,974	$	1,249,312	$ 411,338	49.09%
52							
53	Other Water Revenues		$ 7,353	$	7,353	$ -	0.00%
54	Reconciling Amount		(608)		(161)	447	-73.52%
55	Rounding		-		-	-	0.00%
56	**Total of Water Revenues**		$ 844,719	$	1,256,504	$ 411,785	48.75%
57							
58							
59	SUPPORTING SCHEDULES:						
60	B-1						
61	C-1						
62	C-3						
63	H-1						

Quail Creek Water Company
Test Year Ended December 31, 2013
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2011	Prior Years Ended 12/31/2012	Test Year Actual 12/31/2013	Test Year Adjusted 12/31/2013	Projected Year Present Rates 12/31/2014	Projected Year Proposed Rates 12/31/2014
1	Gross Revenues	$ 840,467	$ 908,778	$ 830,813	$ 844,719	$ 844,719	$ 1,256,504
2							
3	Revenue Deductions and	626,372	648,860	666,664	725,756	725,756	890,785
4	Operating Expenses						
5							
6	Operating Income	$ 214,095	$ 259,918	$ 164,149	$ 118,963	$ 118,963	$ 365,719
7							
8	Other Income and	2,674	10,038	25,681	-	-	-
9	Deductions						
10							
11	Interest Expense	-	-	-	-	-	-
12							
13	Net Income	$ 216,769	$ 269,956	$ 189,830	$ 118,963	$ 118,963	$ 365,719
14							
15	Common Shares	3,000	3,000	3,000	3,000	3,000	3,000
16							
17	Earned Per Average						
18	Common Share	72.26	89.99	63.28	39.65	39.65	121.91
19							
20	Dividends Paid	-	-	-	-	-	-
21							
22	Dividends Per						
23	Common Share	-	-	-	-	-	-
24							
25	Payout Ratio	-	-	-	-	-	-
26							
27	Return on Average						
28	Invested Capital	4.51%	4.20%	2.74%	1.92%	1.96%	6.04%
29							
30	Return on Year End						
31	Capital	3.48%	4.07%	2.63%	1.92%	2.01%	6.17%
32							
33	Return on Average						
34	Common Equity	5.47%	4.95%	3.34%	2.11%	2.04%	6.14%
35							
36	Return on Year End						
37	Common Equity	4.08%	4.83%	3.29%	2.08%	2.02%	5.95%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	-	-	-	-	-	-
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	-	-	-	-	-	-
45							
46							
47							
48							
49							
50	SUPPORTING SCHEDULES						
51	C-1						
52	E-2						
53	F-1						
54							

Quail Creek Water Company

Test Year Ended December 31, 2013
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2011	Prior Years Ended 12/31/2012	Test Year 12/31/2013	Projected Year 12/31/2014
1					
2					
3	Short-Term Debt	-	-	-	-
3					
4	Long-Term Debt	-	-	-	-
5					
6	Total Debt	$ -	$ -	$ -	$ -
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	5,317,832	5,587,786	5,777,616	5,896,579
12					
13					
14	Total Capital & Debt	$ 5,317,832	$ 5,587,786	$ 5,777,616	$ 5,896,579
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	0.00%	0.00%	0.00%
20					
21	Total Debt	0.00%	0.00%	0.00%	0.00%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	100.00%	100.00%	100.00%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	0.00%	0.00%	0.00%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	SUPPORTING SCHEDULES:				
46	E-1				
47	D-1				
48					
49					
50					

Quail Creek Water Company
Test Year Ended December 31, 2013
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 12/31/2011	2,750,484	2,750,484	6,998,586
5				
6	Prior Year Ended 12/31/2012	28,205	28,205	7,026,791
7				
8	Test Year Ended 12/31/2013	518,280	(68,095)	6,958,696
9				
10	Projected Year Ended 12/31/2014	35,500	35,500	6,994,196
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	SUPPORTING SCHEDULES:			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Quail Creek Water Company
Test Year Ended December 31, 2013
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2011	Prior Year Ended 12/31/2012	Test Year Ended 12/31/2013	Projected Year Present Rates 12/31/2014	Projected Year Proposed Rates 12/31/2014
1	Cash Flows from Operating Activities					
2	Net Income	$ 216,769	$ 269,956	$ 189,830	$ 118,963	$ 365,719
3	Adjustments to reconcile net income to net cash					
4	provided by operating activities:					
5	Depreciation and Amortization	117,505	253,395	266,978	294,340	294,340
6	Other -Adjustments	-	-	-		
7	Changes in Certain Assets and Liabilities:					
8	Accounts Receivable	(2,599)	(196)	(5,641)		
9	Restricted Cash	-	-	-		
10	Materials and Supplies Inventory	-	-	-		
11	Prepaid Expenses	(45,602)	53,476	-		
12	Deferred Charges	174,919	151,714	53,010		
13	Receivables to Associated Co.	-	(221)	72		
14	Accounts Payable	2,496	(5,973)	8,117		
15	Payables to Associated Co.	19,762	-	337,563		
16	Note Receivable	(146,925)	(681,968)	(343,430)		
17	Interest Payable	-	-	-		
18	Customer Meter and Security Deposits	-	-	-		
19	Taxes Payable	(23,206)	14,492	(4,173)		
20	Other assets and liabilities	3,965	452	19		
21	Rounding	-	(2)	2		
22	Net Cash Flow provided by Operating Activities	$ 317,084	$ 55,125	$ 502,347	$ 413,303	$ 660,060
23	Cash Flow From Investing Activities:					
24	Capital Expenditures	(2,750,484)	(28,205)	(518,280)	(35,500)	(35,500)
25	Plant Held for Future Use	-	-	-		
26	Changes in debt reserve fund	-	-	-		
27	Net Cash Flows from Investing Activities	$ (2,750,484)	$ (28,205)	$ (518,280)	$ (35,500)	$ (35,500)
28	Cash Flow From Financing Activities					
29	Change in Restricted Cash	-	-	-		
30	Proceeds from Long-Term Debt	-	-	-		
31	Net receipt of contributions in aid of construction	-	-	-	-	-
32	Net receipts of advances in aid of construction	-	-	-	-	-
33	Repayments of Long-Term Debt	-	-	-	-	-
34	Distributions/Dividends Paid	-	-	-	-	-
35	Deferred Financing Costs	-	-	-	-	-
36	Paid in Capital	2,500,000	-	-	-	-
37	Net Cash Flows Provided by Financing Activities	$ 2,500,000	$ -	$ -	$ -	$ -
38	Increase(decrease) in Cash and Cash Equivalents	66,600	26,920	(15,933)	377,803	624,560
39	Cash and Cash Equivalents at Beginning of Year	54,094	120,694	76,293	60,360	60,360
40	Cash and Cash Equivalents at End of Year	$ 120,694	$ 147,614	$ 60,360	$ 438,163	$ 684,920
41						
42						
43						
44						
45	SUPPORTING SCHEDULES:					
46	E-3					
47	F-2					
48						
49						

Quail Creek Water Company
Test Year Ended December 31, 2013
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 7,819,192	$ 7,819,192
3	Less: Accumulated Depreciation	2,352,796	2,352,796
4			
5	Net Utility Plant in Service	$ 5,466,396	$ 5,466,396
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	820,205	820,205
11			
12	Accumulated Amortization of CIAC	(284,447)	(284,447)
13			
14	Customer Meter Deposits	180,221	180,221
15	Custmer Security Deposits	-	-
16	Accumulated Deferred Income Tax	1,071,554	1,071,554
17			
18			
19	Plus:		
20			
21	Deferred Regulatory Assets TCE Plume	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 3,678,863	$ 3,678,863
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 6,958,696	860,496	$ 7,819,192
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,054,550	1,298,246	2,352,796
7				
8				
9	Net Utility Plant			
10	in Service	$ 5,904,146		$ 5,466,396
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	-	820,205	820,205
18				
19	Accumulated Amortization of CIAC	-	(284,447)	(284,447)
20				
21	Customer Meter Deposits	180,221	-	180,221
22	Custmer Security Deposits	-	-	-
23	Accumulated Deferred Income Tax	859,639	211,915	1,071,554
24				-
25				-
26				
27	**Plus:**			
28				
29	Deferred Regulatory Assets TCE Plume	-		-
30	Prepayments	-		-
31	Materials and Supplies	-		-
32	Working capital	-	-	-
33				-
34				
35	Total	$ 4,864,286		$ 3,678,863
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
47	B-2, pages 2			B-1
48	E-1			
49				
50				
51				

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 ADIT	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 6,958,696	860,496					$ 7,819,192
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	1,054,550		1,298,246				2,352,796
7								
8								
9	Net Utility Plant							
10	in Service	$ 5,904,146	$ 860,496	$ (1,298,246)	$ -	$ -	$ -	$ 5,466,396
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	-						-
15								
16	Contributions in Aid of							
17	Construction (CIAC)	-			820,205			820,205
18								
19	Accumulated Amort of CIAC	-			(284,447)			(284,447)
20								
21	Customer Meter Deposits	180,221						180,221
22	Customer Security Deposits	-						-
23	Accumulated Deferred Income Taxes (ADIT)	859,639				211,915		1,071,554
24								
25								
26	**Plus:**							
27								
28	Deferred Regulatory Assets	-						-
29	Prepayments	-						
30	Materials and Supplies	-						
31	Allowance for Cash Working Capital	-						-
32								
33	Total	$ 4,864,286	$ 860,496	$ (1,298,246)	$ (535,758)	$ (211,915)	$ -	$ 3,678,863
34								
35								
36								
37	SUPPORTING SCHEDULES:							
38	B-2, pages 3-5							
39	E-1							
40								
41								

RECAP SCHEDULES:
B-1

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Orginal Cost	A Plant Adjustments	B Plant Retirement Adjustments	Adjustments C Plant Reclassification	D Adjustments to Reconcile ant to Reconstructi	E Intentionally Left Blank	Adjusted Original Cost
1									
2									
3									
4	Acct.								
5	No.	Description							
6	301	Organization Cost	$ -	$ -	$ -	$ -	$ -		$ -
7	302	Franchise Cost	37,295	-	-	37,295	-		37,295
8	303	Land and Land Rights	92,895	-	-	(37,295)	-		-
9	304	Structures and Improvements	41,448	-	-	-	-		92,895
10	305	Collecting and Impounding Res.	-	-	-	33,994	-		75,442
11	306	Lake River and Other Intakes	-	-	-	-	-		-
12	307	Wells and Springs	1,049,576	(77,654)	-	-	-		-
13	308	Infiltration Galleries and Tunnels	-	-	-	(137,674)	-		834,248
14	309	Supply Mains	-	-	-	-	-		-
15	310	Power Generation Equipment	-	-	-	-	-		-
16	311	Electric Pumping Equipment	922,780	(1,079)	130,004	37,618	-		37,618
17	320	Water Treatment Equipment	-	-	-	85,570	-		1,137,275
18	320.1	Water Treatment Plant	-	-	-	-	-		-
19	320.2	Chemical Solution Feeders	-	-	-	-	-		-
20	330	Dist. Reservoirs & Standpipe	871,524	-	-	(871,524)	-		-
21	330.1	Storage tanks	-	-	-	856,574	-		856,574
22	330.2	Pressure Tanks	-	-	-	32,236	-		32,236
23	331	Trans. and Dist. Mains	2,530,982	663,178	-	-	-		3,194,161
24	333	Services	821,514	69,718	-	-	-		891,232
25	334	Meters	108,269	-	-	(17,954)	-		90,315
26	335	Hydrants	389,873	87,308	-	-	-		477,182
27	336	Backflow Prevention Devices	-	-	-	-	-		-
28	339	Other Plant and Misc. Equip.	-	-	-	-	-		-
29	340	Office Furniture and Fixtures	65,581	-	-	(63,510)	-		2,071
30	340.1	Computers and Software	-	-	-	-	-		-
31	341	Transportation Equipment	-	-	(6,000)	6,000	-		-
32	342	Stores Equipment	-	-	-	-	-		-
33	343	Tools and Work Equipment	1,692	-	-	707	-		2,399
34	344	Laboratory Equipment	-	-	-	-	-		-
35	345	Power Operated Equipment	-	-	-	-	-		-
36	346	Communications Equipment	25,266	-	(4,980)	36,908	-		57,194
37	347	Miscellaneous Equipment	-	-	-	-	-		-
38	348	Other Tangible Plant	-	-	-	1,056	-		1,056
39		Loss on Plant Disposition							-
40		TOTALS	$ 6,958,696	$ 741,472	$ 119,024	$ 0	$ -	$ -	$ 7,819,192
41									
42	Plant-in-Service per Books								$ 6,958,696
43									
44	Increase (decrease) in Plant-in-Service								$ 860,496
45									
46	Adjustment to Plant-in-Service								$ 860,496
47									
48	SUPPORTING SCHEDULES								
49	B-2, pages 3.1 to 3.4								
50									

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Schedule B-2
Page 3.1
Witness: Bourassa

Line No.				
1	Plant Adjustments			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	301	Organization Cost	$	-
7	302	Franchise Cost		-
8	303	Land and Land Rights		-
9	304	Structures and Improvements		-
10	305	Collecting and Impounding Res.		-
11	306	Lake River and Other Intakes		-
12	307	Wells and Springs		(77,654)
13	308	Infiltration Galleries and Tunnels		-
14	309	Supply Mains		-
15	310	Power Generation Equipment		-
16	311	Electric Pumping Equipment		(1,079)
17	320	Water Treatment Equipment		-
18	320.1	Water Treatment Plant		-
19	320.2	Chemical Solution Feeders		-
20	330	Dist. Reservoirs & Standpipe		-
21	330.1	Storage tanks		-
22	330.2	Pressure Tanks		-
23	331	Trans. and Dist. Mains		663,178
24	333	Services		69,718
25	334	Meters		-
26	335	Hydrants		87,308
27	336	Backflow Prevention Devices		-
28	339	Other Plant and Misc. Equip.		-
29	340	Office Furniture and Fixtures		-
30	340.1	Computers and Software		-
31	341	Transportation Equipment		-
32	342	Stores Equipment		-
33	343	Tools and Work Equipment		-
34	344	Laboratory Equipment		-
35	345	Power Operated Equipment		-
36	346	Communications Equipment		-
37	347	Miscellaneous Equipment		-
38	348	Other Tangible Plant		-
39				
40		TOTALS	$	741,472
41				
42	SUPPORTING SCHEDULE			
43	Work papers			
44	Testimony			
45				

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Plant Retirement Adjustments

Line No.	Acct. No.	Description	Orginal Cost
6	301	Organization Cost	$ -
7	302	Franchise Cost	-
8	303	Land and Land Rights	-
9	304	Structures and Improvements	-
10	305	Collecting and Impounding Res.	-
11	306	Lake River and Other Intakes	-
12	307	Wells and Springs	-
13	308	Infiltration Galleries and Tunnels	-
14	309	Supply Mains	-
15	310	Power Generation Equipment	-
16	311	Electric Pumping Equipment	130,004
17	320	Water Treatment Equipment	-
18	320.1	Water Treatment Plant	-
19	320.2	Chemical Solution Feeders	-
20	330	Dist. Reservoirs & Standpipe	-
21	330.1	Storage tanks	-
22	330.2	Pressure Tanks	-
23	331	Trans. and Dist. Mains	-
24	333	Services	-
25	334	Meters	-
26	335	Hydrants	-
27	336	Backflow Prevention Devices	-
28	339	Other Plant and Misc. Equip.	-
29	340	Office Furniture and Fixtures	-
30	340.1	Computers and Software	-
31	341	Transportation Equipment	(6,000)
32	342	Stores Equipment	-
33	343	Tools and Work Equipment	-
34	344	Laboratory Equipment	-
35	345	Power Operated Equipment	-
36	346	Communications Equipment	(4,980)
37	347	Miscellaneous Equipment	-
38	348	Other Tangible Plant	-
40		TOTALS	$ 119,024

SUPPORTING SCHEDULE
Work papers
Testimony

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Schedule B-2
Page 3.3
Witness: Bourassa

Line No.			
1	Plant Reclassifications		
2			
3			
4	Acct.		Orginal
5	No.	Description	Cost
6	301	Organization Cost	$ 37,295
7	302	Franchise Cost	(37,295)
8	303	Land and Land Rights	-
9	304	Structures and Improvements	33,994
10	305	Collecting and Impounding Res.	-
11	306	Lake River and Other Intakes	-
12	307	Wells and Springs	(137,674)
13	308	Infiltration Galleries and Tunnels	-
14	309	Supply Mains	-
15	310	Power Generation Equipment	37,618
16	311	Electric Pumping Equipment	85,570
17	320	Water Treatment Equipment	-
18	320.1	Water Treatment Plant	-
19	320.2	Chemical Solution Feeders	-
20	330	Dist. Reservoirs & Standpipe	(871,524)
21	330.1	Storage tanks	856,574
22	330.2	Pressure Tanks	32,236
23	331	Trans. and Dist. Mains	-
24	333	Services	-
25	334	Meters	(17,954)
26	335	Hydrants	-
27	336	Backflow Prevention Devices	-
28	339	Other Plant and Misc. Equip.	-
29	340	Office Furniture and Fixtures	(63,510)
30	340.1	Computers and Software	-
31	341	Transportation Equipment	6,000
32	342	Stores Equipment	-
33	343	Tools and Work Equipment	707
34	344	Laboratory Equipment	-
35	345	Power Operated Equipment	-
36	346	Communications Equipment	36,908
37	347	Miscellaneous Equipment	-
38	348	Other Tangible Plant	1,056
39			
40		TOTALS	$ 0
41			
42			
43	SUPPORTING SCHEDULE		
44	Work papers		
45	Testimony		

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Orginal Cost	B-2 Adjustments	Adjusted Orginal Cost	Plant Per Reconstruction	Plant Adjustment
6	301	Organization Cost	$ -	$ 37,295	$ 37,295	$ 37,295	$ -
7	302	Franchise Cost	37,295	(37,295)	-	-	-
8	303	Land and Land Rights	92,895	-	92,895	92,895	-
9	304	Structures and Improvements	41,448	33,994	75,442	75,442	-
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	1,049,576	(215,328)	834,248	834,248	-
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	-	-	-	-	-
15	310	Power Generation Equipment	-	37,618	37,618	37,618	-
16	311	Electric Pumping Equipment	922,780	214,495	1,137,275	1,137,275	-
17	320	Water Treatment Equipment	-	-	-	-	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	871,524	(871,524)	-	-	-
21	330.1	Storage tanks	-	856,574	856,574	856,574	-
22	330.2	Pressure Tanks	-	32,236	32,236	32,236	-
23	331	Trans. and Dist. Mains	2,530,982	663,178	3,194,161	3,194,161	-
24	333	Services	821,514	69,718	891,232	891,232	-
25	334	Meters	108,269	(17,954)	90,315	90,315	-
26	335	Hydrants	389,873	87,308	477,182	477,182	-
27	336	Backflow Prevention Devices	-	-	-	-	-
28	339	Other Plant and Misc. Equip.	-	-	-	-	-
29	340	Office Furniture and Fixtures	65,581	(63,510)	2,071	2,071	-
30	340.1	Computers and Software	-	-	-	-	-
31	341	Transportation Equipment	-	-	-	-	-
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	1,692	707	2,399	2,399	-
34	344	Laboratory Equipment	-	-	-	-	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	25,266	31,928	57,194	57,194	-
37	347	Miscellaneous Equipment	-	-	-	-	-
38	348	Other Tangible Plant	-	1,056	1,056	1,056	-
39		Plant Held for Future Use					-
40		TOTALS	$ 6,958,696	$ 860,496	$ 7,819,192	$ 7,819,192	$ -

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.3
B-2, pages 3.5 through 3.21

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.5
Witness: Jones/Bourassa

				Per Decision No. 61611 - 04/01/1999					Current Books		
				[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Line	NARUC Account		Allowed Deprec.	Book Plant at	Dec. 61611 Adjust-	Adjusted Plant at	Dec. 61611 Accum Depr	Net Plant	Book Plant at	Accum Depr	Net Plant
No.	No.	Description	Rate	12/31/1997	ments	12/31/1997	12/31/1997	12/31/1997	12/31/1997	12/31/1997	12/31/1997
						[1]+[2]		[3]-[4]			[6]-[7]
1	301	Organization Cost	4.08%	37,295		37,295	12,434	24,861	37,295	12,434	24,861
2	302	Franchise Cost	0.00%			-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	65,000		65,000	-	65,000	65,000	-	65,000
4	304	Structures & Improvements	4.08%			-	-	-	-	-	-
5	305	Collecting & Impounding Reservoirs	4.08%			-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%			-	-	-	-	-	-
7	307	Wells & Springs	4.08%	162,035		162,035	55,689	106,346	162,035	55,689	106,346
8	308	Infiltration Galleries	4.08%			-	-	-	-	-	-
9	309	Raw Water Supply Mains	4.08%			-	-	-	-	-	-
10	310	Power Generation Equipment	4.08%			-	-	-	-	-	-
11	311	Pumping Equipment	4.08%	55,410		55,410	49,974	5,436	55,410	49,974	5,436
12	320	Water Treatment Equipment	4.08%			-	-	-	-	-	-
13	320.1	Water Treatment Plants	4.08%			-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%			-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	180,280		180,280	37,566	142,714	-	37,566	(37,566)
16	330.1	Storage Tanks	4.08%			-	-	-	180,280	-	180,280
17	330.2	Pressure Tanks	4.08%			-	-	-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	446,017		446,017	109,957	336,060	446,017	109,957	336,060
19	333	Services	4.08%	3,171		3,171	1,322	1,849	3,171	1,322	1,849
20	334	Meters	4.08%	1,698		1,698	1,698	-	1,698	1,698	-
21	335	Hydrants	4.08%	23,325		23,325	6,482	16,843	23,325	6,482	16,843
22	336	Backflow Prevention Devices	4.08%			-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%			-	-	-	-	-	-
24	340	Office Furniture & Equipment	4.08%			-	-	-	-	-	-
25	340.1	Computers & Software	4.08%			-	-	-	-	-	-
26	341	Transportation Equipment	4.08%	6,000		6,000	6,000	-	6,000	6,000	-
27	342	Stores Equipment	4.08%			-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%			-	-	-	-	-	-
29	344	Laboratory Equipment	4.08%			-	-	-	-	-	-
30	345	Power Operated Equipment	4.08%			-	-	-	-	-	-
31	346	Communication Equipment	4.08%			-	-	-	-	-	-
32	347	Miscellaneous Equipment	4.08%			-	-	-	-	-	-
33	348	Other Tangible Plant	4.08%	1,056		1,056	352	704	1,056	352	704
34											
35		TOTAL		981,285	-	981,285	281,474	699,811	981,285	281,474	699,811
36											
37											
38											

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.6
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1998 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,014	37,295	13,448	23,847
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	65,000	-	65,000
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		-	-	-	-
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		4,407	162,035	60,096	101,938
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	4.08%	-	-	-	-	-	-		1,507	55,410	51,481	3,929
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		(37,566)	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		4,904	180,280	4,904	175,376
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		12,132	446,017	122,089	323,928
19	333	Services	4.08%	-	-	-	-	-	-		86	3,171	1,408	1,762
20	334	Meters	4.08%	-	-	-	-	-	-		-	1,698	1,698	-
21	335	Hydrants	4.08%	-	-	-	-	-	-		634	23,325	7,116	16,208
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	6,000	6,000	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		29	1,056	381	675
34														
35		TOTAL		-	-	-	-	-	-	-	(12,852)	981,285	268,622	712,664
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.7
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1999 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	14,970	22,325
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	65,000	-	65,000
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		-	-	-	-
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		6,611	162,035	66,707	95,327
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	4.08%	-	-	-	-	-	-		2,261	55,410	53,742	1,668
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		7,355	180,280	12,259	168,021
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		18,198	446,017	140,287	305,730
19	333	Services	4.08%	-	-	-	-	-	-		129	3,171	1,538	1,633
20	334	Meters	4.08%	-	-	-	-	-	-		-	1,698	1,698	-
21	335	Hydrants	4.08%	-	-	-	-	-	-		952	23,325	8,068	15,256
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	6,000	6,000		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	1,750	-	1,750	-	-	-		36	1,750	36	1,714
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	424	632
34														
35		TOTAL		1,750	-	1,750	-	6,000	6,000	-	37,106	977,035	299,728	677,308
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2000 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	16,492	20,804
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	65,000	-	65,000
4	304	Structures & Improvements	4.08%	4,894	-	4,894	-	-	-		100	4,894	100	4,794
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		6,611	162,035	73,318	88,716
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	4.08%	37,557	-	37,557	-	15,000	15,000		2,721	77,967	41,463	36,504
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		7,355	180,280	19,614	160,666
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		18,198	446,017	158,484	287,533
19	333	Services	4.08%	-	-	-	-	-	-		129	3,171	1,667	1,504
20	334	Meters	4.08%	1,183	-	1,183	-	-	-		93	2,881	1,791	1,090
21	335	Hydrants	4.08%	-	-	-	-	-	-		952	23,325	9,020	14,305
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	897	-	897	-	-	-		90	2,647	125	2,522
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	467	589
34														
35		TOTAL		44,531	-	44,531	-	15,000	15,000	-	37,813	1,006,566	322,541	684,025
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2001 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	18,013	19,282
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	65,000	-	65,000
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		200	4,894	299	4,594
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		6,611	162,035	79,929	82,105
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	4.08%	8,924	-	8,924	-	14,337	14,337		3,071	72,554	30,196	42,358
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		7,355	180,280	26,970	153,310
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		18,198	446,017	176,682	269,335
19	333	Services	4.08%	-	-	-	-	-	-		129	3,171	1,796	1,374
20	334	Meters	4.08%	228	-	228	-	-	-		122	3,109	1,913	1,195
21	335	Hydrants	4.08%	-	-	-	-	-	-		952	23,325	9,971	13,353
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	6,315	-	6,315	-	-	-		237	8,962	362	8,600
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	510	546
34														
35		TOTAL		15,468	-	15,468	-	14,337	14,337	-	38,439	1,007,697	346,643	661,054
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2002 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	19,535	17,760
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	27,895	-	27,895	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	18,398	-	18,398	-	-	-		575	23,291	874	22,417
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	27,578	-	27,578	-	-	-		7,174	189,613	87,103	102,510
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	4.08%	169,714	-	169,714	-	-	-		6,422	242,268	36,618	205,650
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		7,355	180,280	34,325	145,955
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	190,448	-	190,448	-	-	-		22,083	636,465	198,764	437,701
19	333	Services	4.08%	57,676	-	57,676	-	-	-		1,306	60,847	3,102	57,744
20	334	Meters	4.08%	-	-	-	-	-	-		127	3,109	2,040	1,069
21	335	Hydrants	4.08%	27,395	-	27,395	-	-	-		1,511	50,720	11,482	39,238
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	707	-	707	-	-	-		14	707	14	693
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	1,340	-	1,340	-	-	-		393	10,302	755	9,547
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	553	503
34														
35		TOTAL		521,151	-	521,151	-	-	-	-	48,524	1,528,848	395,167	1,133,681
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2003 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	21,057	16,239
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		950	23,291	1,825	21,466
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		7,736	189,613	94,839	94,773
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	4.08%	-	-	-	-	-	-		9,885	242,268	46,503	195,765
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		7,355	180,280	41,681	138,599
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	4.08%	228,624	-	228,624	-	-	-		30,632	865,089	229,396	635,693
19	333	Services	4.08%	49,285	-	49,285	-	-	-		3,488	110,132	6,590	103,541
20	334	Meters	4.08%	4,163	-	4,163	-	-	-		212	7,272	2,252	5,020
21	335	Hydrants	4.08%	28,800	-	28,800	-	-	-		2,657	79,520	14,139	65,381
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	43	664
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	2,730	-	2,730	-	-	-		476	13,032	1,231	11,801
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	596	459
34														
35		TOTAL		313,602	-	313,602	-	-	-	-	64,984	1,842,450	460,152	1,382,298
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2004 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	22,578	14,717
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		950	23,291	2,775	20,516
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		7,736	189,613	102,575	87,037
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	31,758	-	31,758	-	-	-		648	31,758	648	31,110
11	311	Pumping Equipment	4.08%	478,260	-	478,260	-	-	-		19,641	720,528	66,144	654,384
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	676,294	-	676,294	-	-	-		21,152	856,574	62,833	793,741
17	330.2	Pressure Tanks	4.08%	32,236	-	32,236	-	-	-		658	32,236	658	31,578
18	331	Transmission & Distribution Mains	4.08%	152,378	-	152,378	-	-	-		38,404	1,017,467	267,800	749,667
19	333	Services	4.08%	66,728	-	66,728	-	-	-		5,855	176,860	12,445	164,415
20	334	Meters	4.08%	13,737	-	13,737	-	-	-		577	21,008	2,829	18,180
21	335	Hydrants	4.08%	33,497	-	33,497	-	-	-		3,928	113,017	18,066	94,950
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	72	635
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	22,104	-	22,104	-	-	-		983	35,136	2,214	32,922
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	639	416
34														
35		TOTAL		1,506,992	-	1,506,992	-	-	-	-	102,124	3,349,442	562,276	2,787,166
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	24,100	13,195
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	5,180	-	5,180	-	-	-		1,056	28,471	3,831	24,640
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		7,736	189,613	110,312	79,301
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,296	31,758	1,944	29,815
11	311	Pumping Equipment	4.08%	-	-	-	-	-	-		29,398	720,528	95,542	624,986
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	97,781	758,793
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	1,973	30,263
18	331	Transmission & Distribution Mains	4.08%	338,638	663,178	1,001,816	-	-	-		61,950	2,019,283	329,750	1,689,534
19	333	Services	4.08%	71,348	69,718	141,066	-	-	-		10,094	317,926	22,538	295,388
20	334	Meters	4.08%	31,341	-	31,341	-	-	-		1,497	52,350	4,325	48,025
21	335	Hydrants	4.08%	42,926	87,308	130,235	-	-	-		7,268	243,252	25,334	217,917
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	101	606
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	-	-	-	-	-	-		1,434	35,136	3,647	31,489
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	682	373
34														
35		TOTAL		489,434	820,205	1,309,639	-	-	-	-	159,584	4,659,081	721,860	3,937,221
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	25,622	11,674
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		1,162	28,471	4,993	23,479
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		7,736	189,613	118,048	71,565
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	1,236	-	1,236	-	-	-		1,321	32,994	3,265	29,730
11	311	Pumping Equipment	4.08%	6,264	-	6,264	-	-	-		29,525	726,791	125,067	601,725
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	132,729	723,845
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	3,288	28,948
18	331	Transmission & Distribution Mains	4.08%	130,193	-	130,193	-	-	-		85,043	2,149,476	414,792	1,734,684
19	333	*Services*	4.08%	52,505	-	52,505	-	-	-		14,042	370,431	36,581	333,850
20	334	Meters	4.08%	17,067	-	17,067	-	-	-		2,484	69,417	6,809	62,608
21	335	Hydrants	4.08%	21,806	-	21,806	-	-	-		10,370	265,057	35,704	229,354
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	130	577
29	344	*Laboratory Equipment*	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	-	-	-	-	-	-		1,434	35,136	5,081	30,055
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	725	330
34														
35		TOTAL		229,071	-	229,071	-	-	-	-	190,973	4,888,151	912,833	3,975,318
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	27,143	10,152
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		1,162	28,471	6,154	22,317
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		7,736	189,613	125,784	63,829
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,346	32,994	4,611	28,384
11	311	Pumping Equipment	4.08%	1,691	-	1,691	-	-	-		29,688	728,482	154,755	573,728
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	167,677	688,897
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	4,603	27,633
18	331	Transmission & Distribution Mains	4.08%	431,026	-	431,026	-	-	-		96,492	2,580,502	511,284	2,069,218
19	333	Services	4.08%	192,670	-	192,670	-	-	-		19,044	563,101	55,625	507,476
20	334	Meters	4.08%	9,439	-	9,439	-	-	-		3,025	78,856	9,834	69,022
21	335	Hydrants	4.08%	70,900	-	70,900	-	-	-		12,261	335,957	47,965	287,993
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	1,416	-	1,416	-	-	-		29	1,416	29	1,387
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	159	549
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	4,980	-	4,980	-	-	-		1,535	40,116	6,616	33,500
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	768	287
34														
35		TOTAL		712,122	-	712,122	-	-	-	-	210,174	5,600,273	1,123,007	4,477,266
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	28,665	8,630
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	4,325	-	4,325	-	-	-		1,250	32,796	7,404	25,392
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	990	(990)	-	-	-	-		7,736	189,613	133,520	56,092
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,346	32,994	5,957	27,037
11	311	Pumping Equipment	4.08%	87,378	-	87,378	-	47,642	47,642		30,533	768,218	137,645	630,573
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	202,625	653,949
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	5,919	26,318
18	331	Transmission & Distribution Mains	4.08%	363,405	-	363,405	-	-	-		112,698	2,943,907	623,982	2,319,925
19	333	Services	4.08%	144,958	-	144,958	-	-	-		25,932	708,060	81,557	626,503
20	334	Meters	4.08%	-	-	-	-	-	-		3,217	78,856	13,051	65,805
21	335	Hydrants	4.08%	65,437	-	65,437	-	-	-		15,042	401,394	63,007	338,388
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		58	1,416	87	1,329
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	188	520
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	4,700	-	4,700	-	-	-		1,733	44,817	8,349	36,468
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	811	244
34														
35		TOTAL		671,194	(990)	670,204	-	47,642	47,642	-	237,401	6,222,835	1,312,766	4,910,069
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	30,187	7,109
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		1,338	32,796	8,742	24,054
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	251,984	251,984	-	-	-		12,877	441,596	146,397	295,199
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	4,624	-	4,624	-	-	-		1,440	37,618	7,397	30,221
11	311	Pumping Equipment	4.08%	536,600	(253,063)	283,538	-	-	-		37,127	1,051,756	174,772	876,984
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	237,574	619,000
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	7,234	25,002
18	331	Transmission & Distribution Mains	4.08%	88,544	-	88,544	-	-	-		121,918	3,032,451	745,900	2,286,551
19	333	Services	4.08%	42,432	-	42,432	-	-	-		29,754	750,491	111,311	639,180
20	334	Meters	4.08%	-	-	-	-	-	-		3,217	78,856	16,269	62,587
21	335	Hydrants	4.08%	22,336	-	22,336	-	-	-		16,833	423,730	79,839	343,891
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		58	1,416	144	1,271
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	216	491
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	1,175	-	1,175	-	-	-		1,852	45,992	10,201	35,790
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	854	201
34														
35		TOTAL		695,710	(1,079)	694,631	-	-	-	-	264,272	6,917,466	1,577,038	5,340,428
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	31,708	5,587
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	-	-	-	-	-	-		1,338	32,796	10,080	22,716
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		18,017	441,596	164,414	277,182
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,535	37,618	8,932	28,686
11	311	Pumping Equipment	4.08%	13,723	-	13,723	76,170	-	76,170		41,638	989,309	140,240	849,069
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		488	-	488	(488)
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	272,522	584,052
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	8,549	23,687
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		123,724	3,032,451	869,624	2,162,827
19	333	Services	4.08%	-	-	-	-	-	-		30,620	750,491	141,931	608,560
20	334	Meters	4.08%	5,224	-	5,224	-	-	-		3,324	84,080	19,593	64,488
21	335	Hydrants	4.08%	-	-	-	-	-	-		17,288	423,730	97,127	326,603
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		58	1,416	202	1,214
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	245	462
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	3,937	-	3,937	-	-	-		1,957	49,929	12,158	37,771
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	897	158
34														
35		TOTAL		22,884	-	22,884	76,170	-	76,170	-	277,844	6,864,180	1,778,712	5,085,468
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	33,230	4,066
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	15,263	-	15,263	-	-	-		1,649	48,059	11,730	36,329
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	469,316	(76,664)	392,652	-	-	-		26,027	834,248	190,441	643,807
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,535	37,618	10,467	27,151
11	311	Pumping Equipment	4.08%	298,688	-	298,688	510,205	(206,984)	303,221		40,271	984,776	(122,710)	1,107,486
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		192	-	680	(680)
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	307,470	549,104
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	9,864	22,372
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		123,724	3,032,451	993,348	2,039,103
19	333	Services	4.08%	1,664	-	1,664	-	-	-		30,654	752,155	172,585	579,570
20	334	Meters	4.08%	-	-	-	-	-	-		3,430	84,080	23,023	61,057
21	335	Hydrants	4.08%	-	-	-	-	-	-		17,288	423,730	114,415	309,315
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		58	1,416	260	1,156
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	-	-	-	-	-	-		29	707	274	433
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	8,461	-	8,461	-	4,980	4,980		2,108	53,410	9,286	44,124
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	940	115
34														
35		TOTAL		793,392	(76,664)	716,728	510,205	(202,004)	308,201	-	284,795	7,272,707	1,755,305	5,517,402
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
Page 3.20
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	34,752	2,544
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	12,843	-	12,843	-	-	-		2,223	60,902	13,952	46,949
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		34,037	834,248	224,478	609,770
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,535	37,618	12,002	25,616
11	311	Pumping Equipment	4.08%	-	-	-	-	-	-		40,179	984,776	(82,531)	1,067,307
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		(680)	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	342,418	514,156
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	11,179	21,057
18	331	Transmission & Distribution Mains	4.08%	-	-	-	-	-	-		123,724	3,032,451	1,117,072	1,915,379
19	333	Services	4.08%	9,089	-	9,089	-	-	-		30,873	761,244	203,459	557,786
20	334	Meters	4.08%	1,026	-	1,026	-	-	-		3,451	85,106	26,474	58,631
21	335	Hydrants	4.08%	-	-	-	-	-	-		17,288	423,730	131,704	292,026
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	655	-	655	-	-	-		71	2,071	331	1,740
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	809	-	809	-	-	-		45	1,517	320	1,197
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	3,784	-	3,784	-	-	-		2,256	57,194	11,543	45,651
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	984	72
34														
35		TOTAL		28,205	-	28,205	-	-	-	-	292,831	7,300,912	2,048,136	5,252,776
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
After Consideration of Deferred Purchases

Exhibit
Schedule B-2
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Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2013 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	4.08%	-	-	-	-	-	-		1,522	37,295	36,273	1,022
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	92,895	-	92,895
4	304	Structures & Improvements	4.08%	14,540	-	14,540	-	-	-		2,781	75,442	16,734	58,708
5	305	Collecting & Impounding Reservoirs	4.08%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	4.08%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	4.08%	-	-	-	-	-	-		34,037	834,248	258,516	575,732
8	308	Infiltration Galleries	4.08%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	4.08%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	4.08%	-	-	-	-	-	-		1,535	37,618	13,537	24,081
11	311	Pumping Equipment	4.08%	152,499	-	152,499	-	-	-		43,290	1,137,275	(39,241)	1,176,516
12	320	Water Treatment Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
13	320.1	Water Treatment Plants	4.08%	-	-	-	-	-	-		-	-	-	-
14	320.2	Solution Chemical Feeders	4.08%	-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	4.08%	-	-	-	-	-	-		-	-	-	-
16	330.1	Storage Tanks	4.08%	-	-	-	-	-	-		34,948	856,574	377,367	479,207
17	330.2	Pressure Tanks	4.08%	-	-	-	-	-	-		1,315	32,236	12,495	19,741
18	331	Transmission & Distribution Mains	4.08%	161,710	-	161,710	-	-	-		127,023	3,194,161	1,244,095	1,950,066
19	333	Services	4.08%	129,987	-	129,987	-	-	-		33,711	891,232	237,169	654,063
20	334	Meters	4.08%	5,209	-	5,209	-	-	-		3,579	90,315	30,053	60,262
21	335	Hydrants	4.08%	53,451	-	53,451	-	-	-		18,379	477,182	150,082	327,099
22	336	Backflow Prevention Devices	4.08%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
24	340	Office Furniture & Equipment	4.08%	-	-	-	-	-	-		84	2,071	416	1,655
25	340.1	Computers & Software	4.08%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
27	342	Stores Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	4.08%	883	-	883	-	-	-		80	2,399	399	2,000
29	344	Laboratory Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
31	346	Communication Equipment	4.08%	-	-	-	-	-	-		2,334	57,194	13,876	43,318
32	347	Miscellaneous Equipment	4.08%	-	-	-	-	-	-		-	-	-	-
33	348	Other Tangible Plant	4.08%	-	-	-	-	-	-		43	1,056	1,027	29
34														
35		TOTAL		518,280	-	518,280	-	-	-	-	304,660	7,819,192	2,352,796	5,466,396
36														
37														
38														

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A Plant Retirements Adjustments	B Deferred Purchases Adjustments	Adjustments C Adjustments to Reconcile A/D to Reconstruction	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
6	301	Organization Cost	$ -	$ -	$ -	$ 36,273			$ 36,273
7	302	Franchise Cost	37,171	-	-	(37,171)			-
8	303	Land and Land Rights	-	-	-	-			-
9	304	Structures and Improvements	7,172	-	4,906	4,655			16,734
10	305	Collecting and Impounding Res.	-	-	-	-			-
11	306	Lake River and Other Intakes	-	-	-	-			-
12	307	Wells and Springs	279,899	-	23,032	(44,416)			258,516
13	308	*Infiltration Galleries and Tunnels*	-	-	-	-			-
14	309	Supply Mains	-	-	-	-			-
15	310	*Power Generation Equipment*	-	-	9,070	4,466			13,537
16	311	Electric Pumping Equipment	269,825	130,004	205,639	(644,709)			(39,241)
17	320	*Water Treatment Equipment*	-	-	-	-			-
18	320.1	Water Treatment Plant	-	-	-	-			-
19	320.2	Chemical Solution Feeders	-	-	-	-			-
20	330	Dist. Reservoirs & Standpipe	153,706	-	-	(153,706)			-
21	330.1	Storage tanks	-	-	174,790	202,577			377,367
22	330.2	Pressure Tanks	-	-	9,207	3,288			12,495
23	331	Trans. and Dist. Mains	579,299	-	74,265	590,531			1,244,095
24	333	Services	86,735	-	26,086	124,348			237,169
25	334	Meters	17,314	-	-	12,739			30,053
26	335	Hydrants	59,697	-	9,305	81,080			150,082
27	336	Backflow Prevention Devices	-	-	-	-			-
28	339	*Other Plant and Misc. Equip.*	-	-	-	-			-
29	340	Office Furniture and Fixtures	59,119	-	-	(58,703)			416
30	340.1	*Computers and Software*	-	-	-	-			-
31	341	Transportation Equipment	-	(6,000)	-	6,000			-
32	342	Stores Equipment	-	-	-	-			-
33	343	Tools and Work Equipment	166	-	-	233			399
34	344	Laboratory Equipment	-	-	-	-			-
35	345	Power Operated Equipment	-	-	-	-			-
36	346	Communications Equipment	6,004	(4,980)	2,259	10,593			13,876
37	347	Miscellaneous Equipment	-	-	-	-			-
38	348	Other Tangible Plant	-	-	-	1,027			1,027
39		Loss on Plant Disposition	(501,563)			501,563			-
40		TOTALS	$ 1,054,545	$ 119,024	$ 538,559	$ 640,669	$ -	$ -	$ 2,352,796
41									
42		Accumulated Depreciation per Books							$ 1,054,550
43									
44		Increase (decrease) in Accumulated Depreciation							$ 1,298,246
45									
46		Adjustment to Accumulated Depreciation							$ 1,298,246
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 4.1, 4.2, 4.3							
50									

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Schedule B-2
Page 4.1
Witness: Bourassa

Plant Retirement A/D Adjustments

Line No.	Acct. No.	Description	Orginal Cost
6	301	Organization Cost	$ -
7	302	Franchise Cost	-
8	303	Land and Land Rights	-
9	304	Structures and Improvements	-
10	305	Collecting and Impounding Res.	-
11	306	Lake River and Other Intakes	-
12	307	Wells and Springs	-
13	308	Infiltration Galleries and Tunnels	-
14	309	Supply Mains	-
15	310	Power Generation Equipment	-
16	311	Electric Pumping Equipment	130,004
17	320	Water Treatment Equipment	-
18	320.1	Water Treatment Plant	-
19	320.2	Chemical Solution Feeders	-
20	330	Dist. Reservoirs & Standpipe	-
21	330.1	Storage tanks	-
22	330.2	Pressure Tanks	-
23	331	Trans. and Dist. Mains	-
24	333	Services	-
25	334	Meters	-
26	335	Hydrants	-
27	336	Backflow Prevention Devices	-
28	339	Other Plant and Misc. Equip.	-
29	340	Office Furniture and Fixtures	-
30	340.1	Computers and Software	-
31	341	Transportation Equipment	(6,000)
32	342	Stores Equipment	-
33	343	Tools and Work Equipment	-
34	344	Laboratory Equipment	-
35	345	Power Operated Equipment	-
36	346	Communications Equipment	(4,980)
37	347	Miscellaneous Equipment	-
38	348	Other Tangible Plant	-
39		Plant Held for Future Use	
40		TOTALS	$ 119,024

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.2
B-2, pages 3.4 through 3.29

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Schedule B-2
Page 4.2
Witness: Bourassa

Line No.			
1	Deferred Purchases A/D Adjustments		
2			
3			
4	Acct.		Orginal
5	No.	Description	Cost
6	301	Organization Cost	$ -
7	302	Franchise Cost	-
8	303	Land and Land Rights	-
9	304	Structures and Improvements	4,906
10	305	Collecting and Impounding Res.	-
11	306	Lake River and Other Intakes	-
12	307	Wells and Springs	23,032
13	308	Infiltration Galleries and Tunnels	-
14	309	Supply Mains	-
15	310	Power Generation Equipment	9,070
16	311	Electric Pumping Equipment	205,639
17	320	Water Treatment Equipment	-
18	320.1	Water Treatment Plant	-
19	320.2	Chemical Solution Feeders	-
20	330	Dist. Reservoirs & Standpipe	-
21	330.1	Storage tanks	174,790
22	330.2	Pressure Tanks	9,207
23	331	Trans. and Dist. Mains	74,265
24	333	Services	26,086
25	334	Meters	-
26	335	Hydrants	9,305
27	336	Backflow Prevention Devices	-
28	339	Other Plant and Misc. Equip.	-
29	340	Office Furniture and Fixtures	-
30	340.1	Computers and Software	-
31	341	Transportation Equipment	-
32	342	Stores Equipment	-
33	343	Tools and Work Equipment	-
34	344	Laboratory Equipment	-
35	345	Power Operated Equipment	-
36	346	Communications Equipment	2,259
37	347	Miscellaneous Equipment	-
38	348	Other Tangible Plant	-
39		Plant Held for Future Use	
40		TOTALS	$ 538,559
41			
42			
43	SUPPORTING SCHEDULE		
44	Work papers		
45			

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Schedule B-2
Page 4.3
Witness: Bourassa

Reconciliation of A/D to A/D Reconstruction

Line No.	Acct. No.	Description	A/D Orginal Cost	B-2 Adjustments	A/D Adjusted Orginal Cost	A/D Per Reconstruction	A/D Adjustment
6	301	Organization Cost	-	-	-	36,273	36,273
7	302	Franchise Cost	37,171	-	37,171	-	(37,171)
8	303	Land and Land Rights	-	-	-	-	-
9	304	Structures and Improvements	7,172	4,906	12,079	16,734	4,655
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	279,899	23,032	302,931	258,516	(44,416)
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	-	-	-	-	-
15	310	Power Generation Equipment	-	9,070	9,070	13,537	4,466
16	311	Electric Pumping Equipment	269,825	335,643	605,468	(39,241)	(644,709)
17	320	Water Treatment Equipment	-	-	-	-	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	153,706	-	153,706	-	(153,706)
21	330.1	Storage tanks	-	174,790	174,790	377,367	202,577
22	330.2	Pressure Tanks	-	9,207	9,207	12,495	3,288
23	331	Trans. and Dist. Mains	579,299	74,265	653,564	1,244,095	590,531
24	333	Services	86,735	26,086	112,821	237,169	124,348
25	334	Meters	17,314	-	17,314	30,053	12,739
26	335	Hydrants	59,697	9,305	69,002	150,082	81,080
27	336	Backflow Prevention Devices	-	-	-	-	-
28	339	Other Plant and Misc. Equip.	-	-	-	-	-
29	340	Office Furniture and Fixtures	59,119	-	59,119	416	(58,703)
30	340.1	Computers and Software	-	-	-	-	-
31	341	Transportation Equipment	-	(6,000)	(6,000)	-	6,000
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	166	-	166	399	233
34	344	Laboratory Equipment	-	-	-	-	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	6,004	(2,721)	3,283	13,876	10,593
37	347	Miscellaneous Equipment	-	-	-	-	-
38	348	Other Tangible Plant	-	-	-	1,027	1,027
39		Loss on Plant Disposition	(501,563)	-	(501,563)	-	501,563
40		TOTALS	$ 1,054,545	$ 657,583	$ 1,712,127	$ 2,352,796	$ 640,669

SUPPORTING SCHEDULE
B-2, pages 4.1 through 4.2
B-2, pages 3.5 through 3.21

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at end of TY	$ 820,205	$ 284,447
6			
7	Book balance at end of TY	$ -	$ -
8			
9	Increase (decrease)	$ 820,205	$ 284,447
10			
11			
12	Adjustment to CIAC/AA CIAC	$ 820,205	$ (284,447)
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1 to 5.4		
22			
23			
24			
25			
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37			
38			
39			
40			

Quail Creek Water Company
Contributions-in-aid of Construction (CIAC)

Exhibit
Schedule B-2
Page 5.1
Witness: Jones/Bourassa

Line No.		Balance 12/31/1997 Decision No. 61611	1998		1999		2000		2001		2002		2003	
			Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
5	CIAC	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Amortization Rate			4.08%		4.08%		4.08%		4.08%		4.08%		4.08%
8	Amortization (1/2 yr convention)			-		-		-		-		-		-
9	Accumulated Amortization	-		-		-		-		-		-		-
11	Net CIAC	-	-	-	-	-	-	-	-	-	-	-	-	-

		2004		2005		2006		2007		2008		2009		2010	
		Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
20	CIAC	-	-	820,205	820,205	-	820,205	-	820,205	-	820,205	-	820,205	-	820,205
22	Amortization Rate		4.08%		4.08%		4.08%		4.08%		4.08%		4.08%		4.08%
23	Amortization (1/2 yr convention)		-		16,732		33,464		33,464		33,464		33,464		33,464
24	Accumulated Amortization		-		16,732		50,197		83,661		117,125		150,590		184,054
26	Net CIAC	-	-	820,205	803,473	-	770,008	-	736,544	-	703,080	-	669,615	-	636,151

		2011		2012		2013	
		Additions	Balance	Additions	Balance	Additions	Balance
35	CIAC	-	820,205	-	820,205	-	820,205
37	Amortization Rate		4.08%		4.08%		4.08%
38	Amortization (1/2 yr convention)		33,464		33,464		33,464
39	Accumulated Amortization		217,518		250,983		284,447
41	Net CIAC	-	602,687	-	569,222	-	535,758

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Deferred Income Tax as of December 31, 2012

Line No.			Water & Sewer Adjusted Book Value		Water & Sewer Tax Value		Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
6		Plant-in-Service	$ 7,819,192	1									
7		Accum. Deprec.	(2,352,796)	1									
8		CIAC	(535,758)	3									
9	Fed.	Fixed Assets	$ 4,930,638		$ 2,023,375	2	100.0%	$ (2,907,263)	34.39%		-		(999,913)
11	State	Fixed Assets	$ 4,930,638		$ 2,023,375	2	100.0%	$ (2,907,263)	4.90%		-		(142,456)
13	Fed &State	AIAC			180,221	4	100.0%	$ 180,221	4 39.29%		$ 70,815		
15										$ -	$ 70,815	$ -	$ (1,142,369)
17		Net Asset (Liability)								$ (1,071,554)			
20		DIT Asset (Liability) per Books								$ (859,639)			
22		Adjustment to DIT								$ 211,915			

Footnotes - See page 7.1

Quail Creek Water Company
Test Year Ended December 31, 2013
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		FEDERAL		STATE	
1	[1] **Per adjusted book balances**				
2	**2 Computation of Net Tax Value December 31, 2013**				
3	Based on 2012 Tax Depreciation report (December 31, 2013)				
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	$ 7,545,070		$ 7,545,070	
5	Reconciling Items not on tax report:				
6	Proposed Plant Retirement Adjustments	119,024		119,024	
7					
8					
9					
10					
11	Net Unadjusted Cost tax Basis at December 31, 2013		$ 7,664,094		$ 7,664,094
12					
13	Reductions				
14	Accumulated Depreciation 2013 and prior per federal and state tax depr. report	$ (5,521,695)		$ (5,521,695)	
15	Proposed Plant Retirement Adjustments	(119,024)		(119,024)	
16				-	
17				-	
18				-	
19					
20					
21					
22	Net Reductions through December 31, 2013		(5,640,719)		(5,640,719)
23	Net tax value of plant-in-service at December 31, 2012		$ 2,023,375		$ 2,023,375
24					
25	[3] **CIAC (including impact of change to probability of realization)**				
26	Gross CIAC per adjusted book balances		$ 820,205		
27	CIAC reductions/addtions				
28	A.A per adjusted book balances	$ (284,447)			
29		-			
30					
31	Net CIAC before unrealized AIAC		(284,447)		
32			$ 535,758		
33	Unrealized AIAC Component				
34	AIAC per adjusted book balances				
35	Adjusted Net AIAC (see footnote 5 below)		$ -		
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%		
37			$ -		
38	Total realizable CIAC		$ 535,758		
39					
40	[4] **AIAC (including impact of change in probability of realization)**				
41	AIAC per adjusted book balances				
42	Less: Unrealized AIAC (from Note 3, above)		$ -		
43			$ -		
44	Subtotal				
45	Meter and Service Line Installation Charges per adjusted book balances		$ -		
46	Total realizable AIAC		180,221		
47			$ 180,221		

Quail Creek Water Company
Test Year Ended December 31, 2013
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	33,285
3	Pumping Power (1/24 of Pumping Power)		3,033
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	36,318
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17			Adjusted Test Year
18	Total Operating Expense	$	725,756
19	Less:		
20	Income Tax	$	57,233
21	Property Tax		35,106
22	Depreciation		294,340
23	Purchased Water		-
24	Pumping Power		72,800
25	Allowable Expenses	$	266,277
26	1/8 of allowable expenses	$	33,285
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Quail Creek Water Company
Test Year Ended December 31, 2013
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 823,460	$ 13,906	$ 837,366	$ 411,785	$ 1,249,151
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	7,353	-	7,353		7,353
5		$ 830,813	$ 13,906	$ 844,719	$ 411,785	$ 1,256,504
6	**Operating Expenses**					
7	Salaries and Wages	$ 85,321	-	$ 85,321		$ 85,321
8	Employee Pensions and Benefits	21,254	-	21,254		21,254
9	Purchased Water	-	-	-		-
10	Purchased Power	71,469	1,331	72,800		72,800
11	Fuel For Power Production	-	-	-		-
12	Chemicals	6,454	-	6,454		6,454
13	Materials and Supplies	23,693	-	23,693		23,693
14	Office Supplies and Expense	20,818	-	20,818		20,818
15	Contractual Services - Engineering	-	-	-		-
16	Contractual Services - Accounting	380	-	380		380
17	Contractual Services - Legal	468	-	468		468
18	Contractual Services - Other	17,777	-	17,777		17,777
19	Contractual Services - Testing	12,864	-	12,864		12,864
20	Rents	566	-	566		566
21	Transportation Expenses	13,067	-	13,067		13,067
22	Insurance - Vehicle	524	-	524		524
23	Insurance - General Liability	9,483	-	9,483		9,483
24	Reg. Comm. Exp. - Other	425	-	425		425
25	Reg. Comm. Exp. - Rate Case	-	40,000	40,000		40,000
26	Bad Debt Expense	442	-	442		442
27	Miscellaneous Expense	12,741	-	12,741		12,741
28	Depreciation and Amortization Expense	266,978	27,362	294,340		294,340
29	Taxes Other Than Income	-	-	-		-
30	Property Taxes	36,602	(1,496)	35,106	5,309	40,415
31	Income Tax	65,338	(8,105)	57,233	159,719	216,952
32			-	-		-
33	**Total Operating Expenses**	$ 666,664	$ 59,092	$ 725,756	$ 165,028	$ 890,785
34	**Operating Income**	$ 164,149	$ (45,186)	$ 118,963	$ 246,757	$ 365,719
35	**Other Income (Expense)**					
36	Interest Income	25,176	(25,176)	-		-
37	Other income	505	(505)	-		-
38	Interest Expense	-	-	-		-
39	Other Expense	-	-	-		-
40		-	-	-		-
41	**Total Other Income (Expense)**	$ 25,681	$ (25,681)	$ -	$ -	$ -
42	**Net Profit (Loss)**	$ 189,830	$ (70,867)	$ 118,963	$ 246,757	$ 365,719
43						
44	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
45	C-1, page 2				A-1	
46	E-2					
47						

Quail Creek Water Company
Test Year Ended December 31, 2013
Income Statement

Exhibit
Schedule C-1
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Witness: Bourassa

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Purchased Power Annualization	6 Intentionally Left Blank	7 Remove Other Income/ Expense	8 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**												
2	Metered Water Revenues	$ 823,460				$ 13,906					$ 837,366	$ 411,785	$ 1,249,151
3	*Unmetered Water Revenues*	-									-		-
4	Other Water Revenues	7,353									7,353		7,353
5		$ 830,813	$ -	$ -	$ -	$ 13,906	$ -	$ -	$ -	$ -	$ 844,719	$ 411,785	$ 1,256,504
6	**Operating Expenses**												
7	Salaries and Wages	$ 85,321									$ 85,321		$ 85,321
8	Employee Pensions and Benefits	21,254									21,254		21,254
9	Purchased Water	-									-		-
10	Purchased Power	71,469					1,331				72,800		72,800
11	Fuel For Power Production	-									-		-
12	Chemicals	6,454									6,454		6,454
13	Materials and Supplies	23,693									23,693		23,693
14	Office Supplies and Expense	20,818									20,818		20,818
15	Contractual Services - Engineering	-									-		-
16	Contractual Services - Accounting	380									380		380
17	Contractual Services - Legal	468									468		468
18	Contractual Services - Other	17,777									17,777		17,777
19	*Contractual Services - Testing*	12,864									12,864		12,864
20	Rents	566									566		566
21	Transportation Expenses	13,067									13,067		13,067
22	Insurance - Vehicle	524									524		524
23	Insurance - General Liability	9,483									9,483		9,483
24	Reg. Comm. Exp. - Other	425									425		425
25	Reg. Comm. Exp. - Rate Case	-			40,000						40,000		40,000
26	Bad Debt Expense	442									442		442
27	Miscellaneous Expense	12,741									12,741		12,741
28	Depreciation and Amortization Expense	266,978	27,362								294,340		294,340
29	Taxes Other Than Income	-									-		-
30	Property Taxes	36,602		(1,496)							35,106	5,309	40,415
31	Income Tax	65,338								(8,105)	57,233	159,719	216,952
32													
33	**Total Operating Expenses**	$ 666,664	$ 27,362	$ (1,496)	$ 40,000	$ -	$ 1,331	$ -	$ -	$ (8,105)	$ 725,756	$ 165,028	$ 890,785
34	**Operating Income**	$ 164,149	$ (27,362)	$ 1,496	$ (40,000)	$ 13,906	$ (1,331)	$ -	$ -	$ 8,105	$ 118,963	$ 246,757	$ 365,719
35	***Other Income (Expense)***												
36	Interest Income	25,176							(25,176)		-		-
37	Other income	505							(505)		-		-
38	Interest Expense	-							-		-		-
39	Other Expense	-							-		-		-
40		-									-		-
41	**Total Other Income (Expense)**	$ 25,681	$ -	$ -	$ -	$ -	$ -	$ -	$ (25,681)	$ -	$ -	$ -	$ -
42	**Net Profit (Loss)**	$ 189,830	$ (27,362)	$ 1,496	$ (40,000)	$ 13,906	$ (1,331)	$ -	$ (25,681)	$ 8,105	$ 118,963	$ 246,757	$ 365,719
43													
44	SUPPORTING SCHEDULES:												
45	C-2												
46	E-2												

RECAP SCHEDULES:
C-1, page 1

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	
		Depreciation	Property Taxes	Rate Case Expense	Revenue Annualization	Purchased Power Annualization	Intentionally Left Blank	Subtotal
4	Revenues				13,906		-	13,906
6	Expenses	27,362	(1,496)	40,000		1,331	-	67,198
8	Operating							
9	Income	(27,362)	1,496	(40,000)	13,906	(1,331)	-	(53,292)
11	Interest							
12	Expense							-
13	Other							
14	Income /							-
15	Expense							
17	Net Income	(27,362)	1,496	(40,000)	13,906	(1,331)	-	(53,292)

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	
		Remove Other Income/ Expense	Income Taxes	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Subtotal
25	Revenues							13,906
27	Expenses	-	(8,105)	-	-	-	-	59,092
29	Operating							
30	Income	-	8,105	-	-	-	-	(45,186)
32	Interest							
33	Expense	-						-
34	Other							
35	Income /	(25,681)						(25,681)
36	Expense							
38	Net Income	(25,681)	8,105	-	-	-	-	(70,867)

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Original Cost	Non-Depr. or Fully Depr. Plant	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3	Acct.		Original	Non-Depr. or	Adjusted Original	Proposed	Depreciation
4	No.	Description	Cost	Fully Depr. Plant	Cost	Rates	Expense
5	301	Organization Cost	$ 37,295		$ 37,295	0.00%	$ -
6	302	Franchise Cost	-	-	-	0.00%	-
7	303	Land and Land Rights	92,895	(92,895)	-	0.00%	-
8	304	Structures and Improvements	75,442		75,442	3.33%	2,512
9	305	Collecting and Impounding Res.	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	834,248		834,248	3.33%	27,780
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	-		-	2.00%	-
14	310	Power Generation Equipment	37,618		37,618	5.00%	1,881
15	311	Electric Pumping Equipment	1,137,275		1,137,275	12.50%	142,159
16	320	Water Treatment Equipment	-		-	3.33%	-
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	-		-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	-		-	2.22%	-
20	330.1	Storage tanks	856,574		856,574	2.22%	19,016
21	330.2	Pressure Tanks	32,236		32,236	5.00%	1,612
22	331	Trans. and Dist. Mains	3,194,161		3,194,161	2.00%	63,883
23	333	Services	891,232		891,232	3.33%	29,678
24	334	Meters	90,315		90,315	8.33%	7,523
25	335	Hydrants	477,182		477,182	2.00%	9,544
26	336	Backflow Prevention Devices	-		-	6.67%	-
27	339	Other Plant and Misc. Equip.	-		-	6.67%	-
28	340	Office Furniture and Fixtures	2,071		2,071	6.67%	138
29	340.1	Computers and Software	-		-	20.00%	-
30	341	Transportation Equipment	-		-	20.00%	-
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	2,399		2,399	5.00%	120
33	344	Laboratory Equipment	-		-	10.00%	-
34	345	Power Operated Equipment	-		-	5.00%	-
35	346	Communications Equipment	57,194		57,194	10.00%	5,719
36	347	Miscellaneous Equipment	-		-	10.00%	-
37	348	Other Tangible Plant	1,056		1,056	10.00%	106
38		TOTALS	$ 7,819,192	$ (92,895)	$ 7,726,296		$ 311,672
39							
40	Less: Amortization of Contributions				Gross CIAC	Amort. Rate	
41	331	Trans. and Dist. Mains			$ 663,178	2.00%	$ (13,264)
42	333	Services			$ 69,718	3.33%	(2,322)
43	335	Hydrants			$ 87,308	2.00%	(1,746)
44		Total CIAC			$ 820,205		$ (17,331)
45	Total Depreciation Expense						$ 294,340
46							
47	Adjusted Test Year Depreciation Expense						266,978
48							
49	Increase (decrease) in Depreciation Expense						$ 27,362
50							
51	Adjustment to Revenues and/or Expenses						$ 27,362
52							
53	SUPPORTING SCHEDULE						
54	B-2, page 3				*Fully Depreciated/Amortized		

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 844,719	$ 844,719
2	Weight Factor	3	2
3	Subtotal (Line 1 * Line 2)	2,534,157	1,689,438
4	Company Recommended Revenue		1,256,504
5	Subtotal (Line 4 + Line 5)	2,534,157	2,945,943
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	844,719	981,981
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,689,438	1,963,962
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,689,438	1,963,962
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	304,099	353,513
15	Composite Property Tax Rate - Obtained from ADOR	10.7445%	10.7445%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 32,674	$ 37,983
17	Tax on Parcels	2,432	2,432
18	Total Property Taxes (Line 16 + Line 17)	$ 35,106	
19	Test Year Property Taxes	$ 36,602	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (1,496)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 40,415
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 35,106
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 5,309**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 5,309
27	Increase in Revenue Requirement		$ 1,256,504
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		0.42255%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2			
3	Estimated Rate Case Expense	$	200,000
4			
5	Estimated Amortization Period in Years		5
6			
7	Annual Rate Case Expense	$	40,000
8			
9	Test Year Rate Case Expense	$	-
10			
11	Increase(decrease) Rate Case Expense	$	40,000
12			
13	Adjustment to Revenue and/or Expense	$	40,000
14			
15			
16	Reference		
17	Testimony		
18			
19			
20			

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2	Revenue Annualization	$	13,906
3			
4			
5			
6	Total Revenue from Annualization	$	13,906
7			
8			
9	Adjustment to Revenue and/or Expense	$	13,906
10			
11	SUPPORTING SCHEDULES		
12	C-2 pages 5.1 to 5.20		
13	H-1		
14			
15			
16			
17			
18			
19			
20			

Quail Creek Water Company
Revenue Annualization to Year End Customers: Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	1,784	1,784	1,784	1,784	1,784	1,784	1,784
2	Actual Customers	1,736	1,741	1,748	1,754	1,755	1,758	1,758
3	Increase in Number of Customers/Bills	48	43	36	30	29	26	26
4	Average Revenue / Present Rates	$ 30.22	$ 29.32	$ 29.07	$ 32.28	$ 32.65	$ 31.84	$ 33.30
5	Revenue Annualization / Present Rates	$ 1,451	$ 1,261	$ 1,047	$ 968	$ 947	$ 828	$ 866
6								
7	Increase in Number of Customers	48	43	36	30	29	26	26
8	Average Revenue / Proposed Rates	$ 42.28	$ 40.78	$ 40.36	$ 45.72	$ 46.34	$ 44.99	$ 47.42
9	Revenue Annualization / Proposed Rates	$ 2,030	$ 1,754	$ 1,453	$ 1,372	$ 1,344	$ 1,170	$ 1,233
10	Additional Gallons to be Produced	260,955	219,986	180,934	185,103	182,789	156,390	169,893
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	1,784	1,784	1,784	1,784	1,784	
16	Actual Customers	1,763	1,753	1,765	1,772	1,784	
17	Increase in Number of Customers/Bills	21	31	19	12	-	321
18	Average Revenue / Present Rates	$ 31.36	$ 32.14	$ 30.43	$ 30.71	$ 29.03	
19	Revenue Annualization / Present Rates	$ 659	$ 996	$ 578	$ 369	$ -	$ 9,969
20							
21	Increase in Number of Customers	21	31	19	12	-	
22	Average Revenue / Proposed Rates	$ 44.19	$ 45.49	$ 42.63	$ 43.10	$ 40.28	
23	Revenue Annualization / Proposed Rates	$ 659	$ 996	$ 578	$ 369	$ -	$ 14,020
24	Additional Gallons to be Produced	122,723	189,791	104,719	67,337	-	1,840,620

Quail Creek Water Company
Revenue Annualization to Year End Customers: Residential 3/4 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule
Page 5.2
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: Residential 1 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	129	129	129	129	129	129	129
2	Actual Customers	126	129	128	128	130	131	130
3	Increase in Number of Customers/Bills	3	-	1	1	(1)	(2)	(1)
4	Average Revenue / Present Rates	$ 41.43	$ 40.29	$ 40.05	$ 45.09	$ 42.35	$ 43.22	$ 43.40
5	Revenue Annualization / Present Rates	$ 124	$ -	$ 40	$ 45	$ (42)	$ (86)	$ (43)
6								
7	Increase in Number of Customers	3	-	1	1	(1)	(2)	(1)
8	Average Revenue / Proposed Rates	$ 62.86	$ 60.95	$ 60.55	$ 68.98	$ 64.39	$ 65.85	$ 66.14
9	Revenue Annualization / Proposed Rates	$ 189	$ -	$ 61	$ 69	$ (64)	$ (132)	$ (66)
10	Additional Gallons to be Produced	17,609	-	5,375	128	(130)	(262)	(130)
11								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
12							
13							
14							
15	Year End Number of Customers	129	129	129	129	129	
16	Actual Customers	129	129	129	130	130	
17	Increase in Number of Customers/Bills	-	-	-	(1)	(1)	(1)
18	Average Revenue / Present Rates	$ 40.87	$ 42.07	$ 40.41	$ 41.44	$ 39.77	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ (41)	$ (40)	$ (44)
20							
21	Increase in Number of Customers	-	-	-	(1)	(1)	
22	Average Revenue / Proposed Rates	$ 61.91	$ 63.93	$ 61.15	$ 62.86	$ 60.07	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ (41)	$ (40)	$ (67)
24	Additional Gallons to be Produced	-	-	-	(130)	(130)	22,330

Quail Creek Water Company
Revenue Annualization to Year End Customers: Residential 1.5 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 70.75	$ 70.75	$ 70.75	$ 70.75	$ 70.75	$ 70.75	$ 70.75
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
12							
13							
14							
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 70.75	$ 70.75	$ 70.75	$ 70.75	$ 70.75	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: Residential 2 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.5
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 185.00	$ 81.40	$ 101.00	$ 234.00	$ 234.00	$ 318.00	$ 442.60
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 288.81	$ 115.54	$ 148.32	$ 372.96	$ 372.96	$ 546.44	$ 803.78
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 346.00	$ 500.00	$ 401.72	$ 318.00	$ 262.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 604.27	$ 922.32	$ 719.35	$ 546.44	$ 430.79	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2013

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Schedule C-2
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Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	57	57	57	57	57	57	57
2	Actual Customers	52	51	47	45	48	53	42
3	Increase in Number of Customers/Bills	5	6	10	12	9	4	15
4	Average Revenue / Present Rates	$ 28.03	$ 29.41	$ 30.13	$ 32.33	$ 32.71	$ 34.71	$ 44.17
5	Revenue Annualization / Present Rates	$ 140	$ 176	$ 301	$ 388	$ 294	$ 139	$ 663
6								
7	Increase in Number of Customers	5	6	10	12	9	4	15
8	Average Revenue / Proposed Rates	$ 43.02	$ 45.33	$ 46.53	$ 50.21	$ 50.84	$ 54.18	$ 70.47
9	Revenue Annualization / Proposed Rates	$ 215	$ 272	$ 465	$ 603	$ 458	$ 217	$ 1,057
10	Additional Gallons to be Produced	23,272	30,885	54,047	74,273	56,910	28,153	156,257
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	57	57	57	57	57	
16	Actual Customers	59	62	62	62	57	
17	Increase in Number of Customers/Bills	(2)	(5)	(5)	(5)	-	44
18	Average Revenue / Present Rates	$ 30.31	$ 33.31	$ 29.39	$ 27.80	$ 26.57	
19	Revenue Annualization / Present Rates	$ (61)	$ (167)	$ (147)	$ (139)	$ -	$ 1,589
20							
21	Increase in Number of Customers	(2)	(5)	(5)	(5)	-	
22	Average Revenue / Proposed Rates	$ 46.82	$ 51.85	$ 45.28	$ 42.64	$ 40.57	
23	Revenue Annualization / Proposed Rates	$ (61)	$ (167)	$ (147)	$ (139)	$ -	$ 2,494
24	Additional Gallons to be Produced	(10,933)	(32,704)	(25,688)	(22,865)	-	331,607

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commercial 3/4 Inch Meter
Test Year Ended December 31, 2013

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Schedule C-2
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Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
14							
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commercial 1 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
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Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	6	6	7	6	6	7	8
3	Increase in Number of Customers/Bills	3	3	2	3	3	2	1
4	Average Revenue / Present Rates	$ 94.18	$ 88.39	$ 90.18	$ 128.04	$ 133.46	$ 173.08	$ 178.15
5	Revenue Annualization / Present Rates	$ 283	$ 265	$ 180	$ 384	$ 400	$ 346	$ 178
6								
7	Increase in Number of Customers	3	3	2	3	3	2	1
8	Average Revenue / Proposed Rates	$ 159.56	$ 147.60	$ 151.29	$ 229.49	$ 240.68	$ 322.51	$ 332.98
9	Revenue Annualization / Proposed Rates	$ 479	$ 443	$ 303	$ 688	$ 722	$ 645	$ 333
10	Additional Gallons to be Produced	74,126	67,921	46,558	110,401	116,211	105,772	54,697
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	9	9	9	9	9	
16	Actual Customers	9	9	9	9	9	
17	Increase in Number of Customers/Bills	-	-	-	-	-	17
18	Average Revenue / Present Rates	$ 108.30	$ 172.74	$ 100.55	$ 157.40	$ 37.13	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 2,037
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 188.72	$ 321.79	$ 172.70	$ 290.13	$ 55.67	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 3,613
24	Additional Gallons to be Produced	-	-	-	-	-	575,687

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commercial 1 1/2 Inch Meter
Test Year Ended December 31, 2013

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Schedule C-2
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Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	3	3	3	3	3	3	3
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 157.80	$ 85.00	$ 143.99	$ 352.40	$ 52.80	$ 505.19	$ 471.77
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 257.09	$ 129.29	$ 228.56	$ 658.99	$ 75.43	$ 974.54	$ 905.54
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	3	3	3	3	3	
16	Actual Customers	3	3	3	3	3	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 385.81	$ 228.45	$ 224.07	$ 417.27	$ 289.59	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 728.00	$ 403.01	$ 393.95	$ 792.96	$ 529.27	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commerical 2 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
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Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	8	8	8	8	8	8	8
2	Actual Customers	9	9	9	9	9	9	8
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)	(1)	-
4	Average Revenue / Present Rates	$ 241.06	$ 247.75	$ 234.28	$ 299.55	$ 309.57	$ 433.27	$ 283.81
5	Revenue Annualization / Present Rates	$ (241)	$ (248)	$ (234)	$ (300)	$ (310)	$ (433)	$ -
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)	(1)	-
8	Average Revenue / Proposed Rates	$ 387.54	$ 401.36	$ 373.54	$ 508.34	$ 529.03	$ 784.50	$ 475.82
9	Revenue Annualization / Proposed Rates	$ (388)	$ (401)	$ (374)	$ (508)	$ (529)	$ (785)	$ -
10	Additional Gallons to be Produced	(57,523)	(59,911)	(55,100)	(78,411)	(81,989)	(126,167)	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	8	8	8	8	8	
16	Actual Customers	8	8	8	8	8	
17	Increase in Number of Customers/Bills	-	-	-	-	-	(6)
18	Average Revenue / Present Rates	$ 243.14	$ 220.42	$ 289.76	$ 323.64	$ 172.75	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ (1,765)
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 391.82	$ 348.05	$ 488.11	$ 558.08	$ 268.32	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ (2,984)
24	Additional Gallons to be Produced	-	-	-	-	-	(459,102)

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commerical 3 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
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Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: Commerical 6 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.12
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 500.00	$ 500.00	$ 500.00	$ 500.00	$ 500.00	$ 500.00	$ 500.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 707.50	$ 707.50	$ 707.50	$ 707.50	$ 707.50	$ 707.50	$ 707.50
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 500.00	$ 500.00	$ 500.00	$ 500.00	$ 500.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 707.50	$ 707.50	$ 707.50	$ 707.50	$ 707.50	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: 5/8x3/4 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.13
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	9	9	9	11	11	10	11
3	Increase in Number of Customers/Bills	2	2	2	-	-	1	-
4	Average Revenue / Present Rates	$ 74.39	$ 71.47	$ 35.69	$ 52.16	$ 33.46	$ 76.18	$ 157.72
5	Revenue Annualization / Present Rates	$ 149	$ 143	$ 71	$ -	$ -	$ 76	$ -
6								
7	Increase in Number of Customers	2	2	2	-	-	1	-
8	Average Revenue / Proposed Rates	$ 132.89	$ 126.85	$ 55.83	$ 86.98	$ 52.09	$ 136.58	$ 304.99
9	Revenue Annualization / Proposed Rates	$ 266	$ 254	$ 112	$ -	$ -	$ 137	$ -
10	Additional Gallons to be Produced	42,423	40,334	14,778	-	-	21,850	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	11	11	11	11	11	
16	Actual Customers	13	13	12	12	11	
17	Increase in Number of Customers/Bills	(2)	(2)	(1)	(1)	-	1
18	Average Revenue / Present Rates	$ 71.11	$ 31.15	$ 196.05	$ 75.08	$ 53.69	
19	Revenue Annualization / Present Rates	$ (142)	$ (62)	$ (196)	$ (75)	$ -	$ (36)
20							
21	Increase in Number of Customers	(2)	(2)	(1)	(1)	-	
22	Average Revenue / Proposed Rates	$ 126.11	$ 48.24	$ 384.14	$ 134.32	$ 90.13	
23	Revenue Annualization / Proposed Rates	$ (142)	$ (62)	$ (196)	$ (75)	$ -	$ (99)
24	Additional Gallons to be Produced	(40,077)	(11,539)	(64,660)	(21,459)	-	(18,350)

Quail Creek Water Company
Revenue Annualization to Year End Customers: 3/4 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.14
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 28.30	$ 28.30	$ 28.30	$ 28.30	$ 28.30	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: 1 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.15
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	2	2	3	3	3	3	3
3	Increase in Number of Customers/Bills	1	1	-	-	-	-	-
4	Average Revenue / Present Rates	$ 25.00	$ 25.00	$ 27.33	$ 145.54	$ 86.13	$ 86.13	$ 85.67
5	Revenue Annualization / Present Rates	$ 25	$ 25	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	1	1	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 35.38	$ 35.38	$ 39.28	$ 265.63	$ 142.94	$ 142.94	$ 141.97
9	Revenue Annualization / Proposed Rates	$ 35	$ 35	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	3	3	3	3	3	
16	Actual Customers	3	3	3	2	3	
17	Increase in Number of Customers/Bills	-	-	-	1	-	3
18	Average Revenue / Present Rates	$ 76.33	$ 76.80	$ 76.33	$ 102.00	$ 76.33	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ 102	$ -	$ 152
20							
21	Increase in Number of Customers	-	-	-	1	-	
22	Average Revenue / Proposed Rates	$ 122.69	$ 123.66	$ 122.69	$ 175.70	$ 122.69	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ 102	$ -	$ 246
24	Additional Gallons to be Produced	-	-	-	27,500	-	27,500

Quail Creek Water Company
Revenue Annualization to Year End Customers: 1.5 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.16
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	1	1	1	1	1	1	-
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	2
4	Average Revenue / Present Rates	$ 232.00	$ 316.00	$ 183.00	$ 204.00	$ 141.00	$ 829.80	$ 50.00
5	Revenue Annualization / Present Rates	$ 232	$ 316	$ 183	$ 204	$ 141	$ 830	$ 100
6								
7	Increase in Number of Customers	1	1	1	1	1	1	2
8	Average Revenue / Proposed Rates	$ 410.34	$ 583.82	$ 309.14	$ 352.51	$ 222.94	$ 1,644.97	$ 70.75
9	Revenue Annualization / Proposed Rates	$ 410	$ 584	$ 309	$ 353	$ 223	$ 1,645	$ 142
10	Additional Gallons to be Produced	65,001	95,001	47,501	55,001	32,501	278,500	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	2	2	2	2	2	
16	Actual Customers	2	2	2	2	2	
17	Increase in Number of Customers/Bills	-	-	-	-	-	8
18	Average Revenue / Present Rates	$ 127.00	$ 102.50	$ 141.00	$ 367.80	$ 287.44	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 2,006
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 199.53	$ 158.55	$ 222.94	$ 690.80	$ 524.83	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 3,665
24	Additional Gallons to be Produced	-	-	-	-	-	573,503

Quail Creek Water Company
Revenue Annualization to Year End Customers: 2 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.17
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	2	2	2	2	2	2	2
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 171.00	$ 91.90	$ 84.90	$ 83.50	$ 83.50	$ 83.50	$ 429.02
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 265.39	$ 133.10	$ 121.40	$ 119.05	$ 119.05	$ 119.05	$ 775.73
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	2	2	2	2	2		
16	Actual Customers	2	2	2	2	2		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 651.76	$ 1,043.90	$ 721.62	$ 681.86	$ 389.96		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 1,235.75	$ 2,045.64	$ 1,380.03	$ 1,297.92	$ 695.06		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	Additional Gallons to be Produced	-	-	-	-	-		-

Quail Creek Water Company
Revenue Annualization to Year End Customers: 3 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.18
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 150.00	$ 150.00	$ 150.00	$ 150.00	$ 150.00	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 212.25	$ 212.25	$ 212.25	$ 212.25	$ 212.25	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Revenue Annualization to Year End Customers: 4 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule C-2
Page 5.19
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 280.80	$ 259.80	$ 257.00	$ 488.00	$ 644.80	$ 846.40	$ 1,232.80
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 405.26	$ 370.14	$ 365.46	$ 751.79	$ 1,014.03	$ 1,401.79	$ 2,199.82
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	
18	Average Revenue / Present Rates	$ 891.20	$ 737.20	$ 432.00	$ 432.00	$ 251.40	-
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 1,494.32	$ 1,176.26	$ 658.14	$ 658.14	$ 356.09	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Purchased Power Annualization

Line No.			
1	Test Year Purchased Power Expense	$	71,469
2	Proposed Adjustments to Purchased Power		-
3	Adjusted Purchased Power Expense	$	71,469
4			
5	Gallons sold during test year (in 1,000's)		156,333
6			
7	Cost per 1,000 gallons	$	0.46
8	Additional Gallons Sold From annualization		2,894
9	Increase (decrease) in purchased power expense	$	1,331
10			
11			
12			
13			
14	Adjustment to Revenue and/or Expense	$	1,331
15			
16	Reference		
17	H-1		
18	Work Papers		
19			
20			

Quail Creek Water Company
Test Year Ended December 31, 2013
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Schedule C-2
Page 17
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ 57,233	$ 216,952
5	Test Year Income tax Expense	65,338	57,233
6	Adjustment to Income Tax Expense	$ (8,105)	$ 159,719
7			
8			
9			
10			
11			
12			
13	SUPPORTING SCHEDULE		
14	C-3, page 2		
15			
16			
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Quail Creek Water Company
Test Year Ended December 31, 2013
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	39.294%
2		
3	Property Taxes	0.257%
4		
5		
6	Total Tax Percentage	39.550%
7		
8	Operating Income % = 100% - Tax Percentage	60.450%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.6543
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
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Quail Creek Water Company
Test Year Ended December 31, 2013

Exhibit
Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.5501%					
5	Subtotal (L3 - L4)	60.4499%					
6	**Revenue Conversion Factor (L1 / L5)**	1.654264					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	39.2936%					
9	One Minus Combined Income Tax Rate (L7 - L8)	60.7064%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.9000%					
14	Federal Taxable Income (L12 - L13)	95.1000%					
15	Applicable Federal Income Tax Rate (L55 Col F)	36.1658%					
16	Effective Federal Income Tax Rate (L14 x L15)	34.3936%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		39.2936%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	39.2936%					
20	One Minus Combined Income Tax Rate (L18-L19)	60.7064%					
21	Property Tax Factor	0.4225%					
22	Effective Property Tax Factor (L20*L21)		0.2565%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.5501%			
24	Required Operating Income	$ 367,886					
25	AdjustedTest Year Operating Income (Loss)	$ 118,963					
26	Required Increase in Operating Income (L24 - L25)		$ 248,924				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 216,952					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ 57,233					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 159,719				
30	Recommended Revenue Requirement	$ 1,256,504					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 40,415					
36	Property Tax on Test Year Revenue	$ 35,106					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 5,309				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 413,952				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
		Total Water		Water	Total Water		Water
	Calculation of Income Tax						
39	Revenue	$ 844,719		$ 844,719	$ 1,256,504		$ 1,256,504
40	Operating Expenses Excluding Income Taxes	668,524		668,524	673,833		673,833
41	Synchronized Interest (L47)	-		-	-		-
42	Arizona Taxable Income (L39 - L40 - L41)	$ 176,195		$ 176,195	$ 582,672		$ 582,671
43	Arizona State Income Tax Rate	4.9000%		4.9000%	4.9000%		4.9000%
44	Arizona Income Tax (L42 x L43)	$ 8,634		$ 8,634	$ 28,551		$ 28,551
45	Federal Taxable Income (L42- L44)	$ 167,562		$ 167,562	$ 554,121		$ 554,120
46							
47	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500	$ 7,500		$ 7,500
48	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 6,250		$ 6,250	$ 6,250		$ 6,250
49	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500		$ 8,500	$ 8,500		$ 8,500
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 26,349		$ 26,349	$ 91,650		$ 91,650
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -	$ 74,501		$ 74,501
52							
53	Total Federal Income Tax	$ 48,599		$ 48,599	$ 188,401		$ 188,401
54	Combined Federal and State Income Tax (L35 + L42)	$ 57,233		$ 57,233	$ 216,952		$ 216,952

55 COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45] — 36.1657%
56 WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45] — 0.0000%
57 WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45] — 36.1658%

			Water
	Calculation of Interest Synchronization		
58	Rate Base		$ 3,678,863
59	Weighted Average Cost of Debt		0.0000%
60	Synchronized Interest (L59 X L60)		$ -

Quail Creek Water Company
Test Year Ended December 31, 2013
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2013	Year Ended 12/31/2012	Year Ended 12/31/2011
1	**ASSETS**			
2	Plant In Service	$ 6,958,696	$ 7,026,791	$ 6,998,586
3	Non-Utility Plant	-	-	-
4	Construction Work in Progress	-	-	-
5	Less: Accumulated Depreciation	(1,054,550)	(1,373,947)	(1,120,552)
6	Net Plant	$ 5,904,146	$ 5,652,844	$ 5,878,034
7				
8	Debt Reserve Fund	$ -	$ -	$ -
9				
10		$ -	$ -	$ -
11				
12	CURRENT ASSETS			
13	Cash and Equivalents	$ 80,775	$ 76,293	$ 84,746
14	Restricted Cash	-	-	-
15	Accounts Receivable, Net	72,876	67,235	67,039
16	Inter-Company Receivable	326	398	177
17	Notes Receivable	1,172,323	828,893	146,925
18	Materials and Supplies	-	-	-
19	Prepayments	-	-	53,476
20	Other Current Assets	-	-	-
21	Total Current Assets	$ 1,326,300	$ 972,819	$ 352,363
22				
23	Unamort. Debt Disc. And Expense			
24	Other Deferred Debits			
25	Deferred Debits	$ -	$ -	$ -
26				
27	Other Assets	$ -	$ -	$ -
28				
29	TOTAL ASSETS	$ 7,230,446	$ 6,625,663	$ 6,230,397
30				
31				
32	**LIABILITIES AND STOCKHOLDER EQUITY**			
33				
34	Stockholder's Equity	$ 5,777,616	$ 5,587,786	$ 5,317,832
35				
36	Long-Term Debt	$ -	$ -	$ -
37				
38	CURRENT LIABILITIES			
39	Accounts Payable	$ 14,043	$ 5,926	$ 11,899
40	Current Portion of Long-Term Debt	-	-	-
41	Payables to Associated Companies	337,563	-	-
42	Security Deposits	-	-	-
43	Customer Meter Deposits, Current	180,221	159,806	195,179
44	Current Portion of AIAC	-	-	-
45	Accrued Taxes	56,926	61,099	46,607
46	Accrued Interest	-	-	-
47	Other Current Liabilities	4,436	4,417	3,965
48	Total Current Liabilities	$ 593,189	$ 231,248	$ 257,650
49	DEFERRED CREDITS			
50	Customer Meter Deposits, less current	$ -	$ -	$ -
51	Advances in Aid of Construction	-	-	-
52	Accumulated Deferred Income Taxes	859,639	806,629	654,915
53	Contributions In Aid of Construction	-	-	-
54	Accumulated Amortization	-	-	-
55	Total Deferred Credits	$ 859,639	$ 806,629	$ 654,915
56				
57	Total Liabilities & Common Equity	$ 7,230,444	$ 6,625,663	$ 6,230,397
58				
59				
60				
61	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
62			A-3	
63				
64				
65				

Quail Creek Water Company
Test Year Ended December 31, 2013
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2013	Prior Year Ended 12/31/2012	Prior Year Ended 12/31/2011
1	**Revenues**			
2	Metered Water Revenues	$ 823,460	$ 898,929	$ 830,845
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	7,353	9,849	9,622
5	**Total Revenues**	$ 830,813	$ 908,778	$ 840,467
6	**Operating Expenses**			
7	Salaries and Wages	$ 85,321	$ 76,491	$ 75,365
8	Employee Pensions and Benefits	21,254	16,665	16,741
9	Purchased Water	-	-	-
10	Purchased Power	71,469	83,237	69,807
11	Fuel For Power Production	-		-
12	Chemicals	6,454	6,454	5,677
13	Materials and Supplies	23,693	33,931	57,723
14	Office Supplies and Expense	20,818	21,602	17,897
15	Contractual Services - Engineering	-	-	-
16	Contractual Services - Accounting	380	388	-
17	Contractual Services - Legal	468	-	-
18	Contractual Services - Other	17,777	17,777	28,050
19	Contractual Services - Testing	12,864	9,196	7,899
20	Rents	566	299	7,550
21	Transportation Expenses	13,067	18,598	12,301
22	Insurance - Vehicle	524	-	-
23	Insurance - General Liability	9,483	9,252	12,046
24	Reg. Comm. Exp. - Other	425	333	367
25	Reg. Comm. Exp. - Rate Case	-	-	-
26	Bad Debt Expense	442	2,112	548
27	Miscellaneous Expense	12,741	12,242	11,190
28	Depreciation and Amortization Expense	266,978	253,395	117,505
29	Taxes Other Than Income		-	-
30	Property Taxes	36,602	35,406	35,027
31	Income Tax	65,338	51,482	150,679
32		-	-	-
33	**Total Operating Expenses**	$ 666,664	$ 648,860	$ 626,372
34	**Operating Income**	$ 164,149	$ 259,918	$ 214,095
35	**Other Income (Expense)**			
36	Interest Income	25,176	9,370	2,346
37	Other Income	505	668	543
38	Interest Expense	-	-	
39	Other Expense	-	-	(215)
40	Gain (loss) on Disposal of Equip	-	-	-
41	**Total Other Income (Expense)**	$ 25,681	$ 10,038	$ 2,674
42	**Net Profit (Loss)**	$ 189,830	$ 269,956	$ 216,769
43				
44				
45				
46	SUPPORTING SCHEDULES:			
47				
48				

Quail Creek Water Company
Test Year Ended December 31, 2013
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2013	Prior Year Ended 12/31/2012	Prior Year Ended 12/31/2011
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 189,830	$ 269,956	$ 216,769
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	266,978	253,395	117,505
8	Depreciation and Amortization Adjustments	-	-	-
9	Changes in Certain Assets and Liabilities:			
10	Accounts Receivable	(5,641)	(196)	(2,599)
11	Restricted Cash	-	-	-
12	Materials and Supplies Inventory	-	-	-
13	Prepaid Expenses	-	53,476	(45,602)
14	Deferred Charges	53,010	151,714	174,919
15	Receivables to Associated Co.	72	(221)	-
16	Accounts Payable	8,117	(5,973)	2,496
17	Payables to Associated Co.	337,563	-	19,762
18	Note Receivable	(343,430)	(681,968)	(146,925)
19	Interest Payable	-	-	-
20	Customer Meter and Security Deposits	-	-	-
21	Taxes Payable	(4,173)	14,492	(23,206)
22	Other assets and liabilities	19	452	3,965
23	Rounding	2	(2)	-
24	Net Cash Flow provided by Operating Activities	$ 502,347	$ 55,125	$ 317,084
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(518,280)	(28,205)	(2,750,484)
27	Plant Held for Future Use	-	-	-
28	Changes in Special Funds	-	-	-
29	Net Cash Flows from Investing Activities	$ (518,280)	$ (28,205)	$ (2,750,484)
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-	-	-
32	Proceeds from Long-Term Debt	-	-	-
33	Net receipt of contributions in aid of construction	-	-	-
34	Net receipts of advances in aid of construction	-	-	-
35	Net proceeds from Customer Deposits	20,415	(35,373)	(35,948)
36	Repayments of Long-Term Debt	-	-	-
37	Distributions	-	-	-
38	Deferred Financing Costs	-	-	-
39	Paid in Capital	-	-	2,500,000
40	Net Cash Flows Provided by Financing Activities	$ 20,415	$ (35,373)	$ 2,464,052
41	Increase(decrease) in Cash and Cash Equivalents	4,482	(8,453)	30,652
42	Cash and Cash Equivalents at Beginning of Year	76,293	84,746	54,094
43	Cash and Cash Equivalents at End of Year	$ 80,775	$ 76,293	$ 84,746
44				
45				
46	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
47	Workpapers		A-5	
48				

Quail Creek Water Company
Test Year Ended December 31, 2013
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Common Stock	Paid-in-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 2010	$ 3,500	$ 695,896	$ 1,901,667	$ 2,601,063
5	Addnl Paid In Capital Adjustment	2,500,000			2,500,000
6	Distributions			-	-
7	Rounding				-
8	Net Income			216,769	216,769
9					
10	Balance, December 31, 2011	$ 2,503,500	$ 695,896	$ 2,118,436	$ 5,317,832
11	Addnl Paid In Capital Adjustment	-	-		-
12	Distributions			-	-
13	Rounding			(2)	(2)
14	Net Income			269,956	269,956
15					
16	Balance, December 31, 2012	$ 2,503,500	$ 695,896	$ 2,388,390	$ 5,587,786
17	Addnl Paid In Capital Adjustment		-		-
18	Distributions			-	-
19	Rounding				-
20	Net Income			189,830	189,830
21					
22	Balance, December, 2013	$ 2,503,500	$ 695,896	$ 2,578,220	$ 5,777,616
23					
24					
25					
26					
27					
28					
29	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
30				E-1	
31					
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40					

Quail Creek Water Company
Test Year Ended December 31, 2013
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2012	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2013
1					
2	301	Organization Cost	$ -	$ -	$ -
3	302	Franchise Cost	37,295	-	37,295
4	303	Land and Land Rights	92,895	-	92,895
5	304	Structures & Improvements	26,908	14,540	41,448
6	305	Collecting & Impounding Reservoirs	-	-	-
7	306	Lake, River, Canal Intakes	-	-	-
8	307	Wells & Springs	1,579,828	(530,252)	1,049,576
9	308	Infiltration Galleries	-	-	-
10	309	Raw Water Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Pumping Equipment	822,027	100,753	922,780
13	320	Water Treatment Equipment	-	-	-
14	320	Water Treatment Plants	-	-	-
15	320.2	Solution Chemical Feeders	-	-	-
16	330.0	Distribution Reservoirs & Standpipes	870,800	724	871,524
17	330	Storage Tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission & Distribution Mains	2,369,271	161,710	2,530,981
20	333	Services	691,526	129,988	821,514
21	334	Meters	108,162	107	108,269
22	335	Hydrants	336,422	53,452	389,874
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant & Misc Equipment	91,657	883	92,540
25	340	Office Furniture & Equipment	-	-	-
26	340.1	Computers & Software	-	-	-
27	341	Transportation Equipment	-	-	-
28	342	Stores Equipment	-	-	-
29	343	Tools, Shop & Garage Equipment	-	-	-
30	344	Laboratory Equipment	-	-	-
31	345	Power Operated Equipment	-	-	-
32	346	Communication Equipment	-	-	-
33	347	Miscellaneous Equipment	-	-	-
34	348	Other Tangible Plant	-	-	-
35					
36					
37					
38		Rounding			
39		TOTAL WATER PLANT	$ 7,026,791	$ (68,095)	$ 6,958,696
40					
41	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
42	Work Papers			A-4	
43	B-2 pages 3.1 to 3.4			E-1	
44					

Quail Creek Water Company
Test Year Ended December 31, 2013
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2013	Prior Year Ended 12/31/2012	Prior Year Ended 12/31/2011
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	157,088	198,961	167,346
6				
7				
8				
9	Water Revenues from Customers:	$ 830,813	$ 908,778	$ 840,467
10				
11				
12				
13				
14	Year End Number of Customers	1,992	1,929	1,872
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	79	103	89
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 417.07	$ 471.11	$ 448.97
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.4550	$ 0.4184	$ 0.4171
25	Purchased Water Cost per 1,000 Gallons	$ -	$ -	$ -

Quail Creek Water Company
Test Year Ended December 31, 2013
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/2013	Prior Year Ended 12/31/2012	Prior Year Ended 12/31/2011
1				
2				
3	State Income Taxes (est.)	$ 17,760	$ 22,372	$ 25,574
4	Federal Income Taxes (est.)	47,578	29,110	125,105
5	Payroll Taxes (est.)	6,026	5,403	5,323
6	Property Taxes	36,602	35,406	35,027
7				
8	Totals	$ 107,966	$ 92,291	$ 191,029
9				
10				
11				
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Quail Creek Water Company
Test Year Ended December 31, 2013
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line
No.

The Company does not conduct independent audits, reviews and/or compilations. Accordingly, there are no notes which are typically associated with these financial statements. Management makes the following notations to the finanical statements contained herein:

Significant Accounting Policies - The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and the accounting records of the are are maintained in accordance with the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners (USOA 1996). Significant accounting policies are as follows:

Utility Plant - Property, plant and equipment is stated at cost less accumulated depreciation provided on a straight-line basis.

Depreciation rates for asset classes of utility property, plant and equipment are established by the Commission. The cost of additions, including betterments and replacements of units of utility fixed assets are charged to utility property, plant and equipment. When units of utility property are replaced, renewed or retired, their cost plus removal or disposal costs, less salvage proceeds, is charged to accumulated depreciation.

Revenue Recognition - Revenues are recognized on the accrual method. Under this method, revenue is recognized when earned rather than when collected, and expenses are recognized when incurred rathet than when paid.

Contributions in Aid of Construction - Contributions in aid of construction (CIAC) are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense

Advances in Aid of Construction - Customer advances for construction are subject to refund in accordance with agreements approved by the Arizona Corporation Commission. Agreements provide for refunds which are typically equal to 10 percent of annual water revenue generated from the expansion. The repayments are for a maximum agreed upon period or until repaid in full. Any balance remaining at the end of the agreed-upon period for repayment becomes a contribution in aid of construction.

Quail Creek Water Company
Test Year Ended December 31, 2013
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2014	At Proposed Rates Year Ended 12/31/2014
1	**Revenues**			
2	Metered Water Revenues	$ 823,460	$ 837,366	$ 1,249,151
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	7,353	7,353	7,353
5		$ 830,813	$ 844,719	$ 1,256,504
6	**Operating Expenses**			
7	Salaries and Wages	$ 85,321	$ 85,321	$ 85,321
8	Employee Pensions and Benefits	21,254	21,254	21,254
9	Purchased Water	-	-	-
10	Purchased Power	71,469	72,800	72,800
11	Fuel For Power Production	-	-	-
12	Chemicals	6,454	6,454	6,454
13	Materials and Supplies	23,693	23,693	23,693
14	Office Supplies and Expense	20,818	20,818	20,818
15	Contractual Services - Engineering	-	-	-
16	Contractual Services - Accounting	380	380	380
17	Contractual Services - Legal	468	468	468
18	Contractual Services - Other	17,777	17,777	17,777
19	Contractual Services - Testing	12,864	12,864	12,864
20	Rents	566	566	566
21	Transportation Expenses	13,067	13,067	13,067
22	Insurance - Vehicle	524	524	524
23	Insurance - General Liability	9,483	9,483	9,483
24	Reg. Comm. Exp. - Other	425	425	425
25	Reg. Comm. Exp. - Rate Case	-	40,000	40,000
26	Bad Debt Expense	442	442	442
27	Miscellaneous Expense	12,741	12,741	12,741
28	Depreciation and Amortization Expense	266,978	294,340	294,340
29	Taxes Other Than Income	-	-	-
30	Property Taxes	36,602	35,106	40,415
31	Income Tax	65,338	57,233	216,952
32	**Total Operating Expenses**	$ 666,664	$ 725,756	$ 890,785
33	**Operating Income**	$ 164,149	$ 118,963	$ 365,719
34	**Other Income (Expense)**			
35	Interest Income	25,176	-	-
36	Other income	505	-	-
37	Interest Expense	-	-	-
38	Other Expense	-	-	-
39	Gain/Loss Sale of Fixed Assets	-	-	-
40	**Total Other Income (Expense)**	$ 25,681	$ -	$ -
41	**Net Profit (Loss)**	$ 189,830	$ 118,963	$ 365,719
42				
43				
44	SUPPORTING SCHEDULES:			
45	C-1			
46				
47				
48				

Quail Creek Water Company
Test Year Ended December 31, 2013
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2013	At Present Rates Year Ended 12/31/2014	At Proposed Rates Year Ended 12/31/2014
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	$ 189,830	$ 118,963	$ 365,719
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	266,978	294,340	294,340
10	Depreciation Adjustments	-		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	(5,641)		
13	Restricted Cash	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	-		
16	Deferred Charges	53,010		
17	Receivables to Associated Co.	72		
18	Accounts Payable	8,117		
19	Payables to Associated Co.	337,563		
20	Note Receivable	(343,430)		
21	Interest Payable	-		
22	Customer Meter and Security Deposits	-		
23	Taxes Payable	(4,173)		
24	Other assets and liabilities	19		
25	Rounding	2		
26	Net Cash Flow provided by Operating Activities	$ 502,345	$ 413,303	$ 660,060
27	Cash Flow From Investing Activities:			
28	Capital Expenditures	(518,280)	(35,500)	(35,500)
29	Plant Held for Future Use	-		
30	Changes in debt reserve fund	-		
31	Net Cash Flows from Investing Activities	$ (518,280)	$ (35,500)	$ (35,500)
32	Cash Flow From Financing Activities			
33	Change in Restricted Cash	-		
34	Change in net amounts due to parent and affiliates	-		
35	Net Receipt contributions in aid of construction	-	-	-
36	Net receipts of advances in aid of construction	-	-	-
37	Repayments of Long-Term Debt	-	-	-
38	Dividends Paid	-	-	-
39	Deferred Financing Costs	-	-	-
40	Paid in Capital	-	-	-
41	Net Cash Flows Provided by Financing Activities	$ -	$ -	$ -
42	Increase(decrease) in Cash and Cash Equivalents	(15,935)	377,803	624,560
43	Cash and Cash Equivalents at Beginning of Year	76,293	60,358	60,358
44	Cash and Cash Equivalents at End of Year	$ 60,358	$ 438,161	$ 684,918
45				
46				
47				
48	SUPPORTING SCHEDULES:			
49	E-3			
50				
51				
52				
53				

Quail Creek Water Company
Test Year Ended December 31, 2013
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2014	2015	2016
1						
2						
3						
4	301	Organization Cost	$ -	$ -	$ -	$ -
5	302	Franchise Cost	-	-	-	-
6	303	Land and Land Rights	-	-	-	-
7	304	Structures and Improvements	14,540	-	-	-
8	305	Collecting and Impounding Res.	-	-	-	-
9	306	Lake River and Other Intakes	-	-	-	-
10	307	Wells and Springs	(530,252)	5,000	5,000	5,000
11	308	Infiltration Galleries and Tunnels	-	-	-	-
12	309	Supply Mains	-	-	-	-
13	310	Power Generation Equipment	-	-	-	-
14	311	Electric Pumping Equipment	100,753	10,000	10,000	10,000
15	320	Water Treatment Equipment	-	-	-	-
16	320.1	Water Treatment Plant	-	-	-	-
17	320.2	Chemical Solution Feeders	-	-	-	-
18	330	Dist. Reservoirs & Standpipe	724	-	-	-
19	330.1	Storage tanks	-	2,500	2,500	2,500
20	330.2	Pressure Tanks	-	-	-	-
21	331	Trans. and Dist. Mains	161,710	-	-	58,000
22	333	Services	129,988	8,000	8,000	56,000
23	334	Meters	107	5,000	5,000	5,000
24	335	Hydrants	53,452	-	-	20,000
25	336	Backflow Prevention Devices	-	-	-	-
26	339	Other Plant and Misc. Equip.	883	1,500	1,500	1,500
27	340	Office Furniture and Fixtures	-	-	-	-
28	340.1	Computers and Software	-	-	-	-
29	341	Transportation Equipment	-	-	-	-
30	342	Stores Equipment	-	-	-	-
31	343	Tools and Work Equipment	-	-	-	-
32	344	Laboratory Equipment	-	-	-	-
33	345	Power Operated Equipment	-	-	-	-
34	346	Communications Equipment	-	3,000	3,000	3,000
35	347	Miscellaneous Equipment	-	500	500	500
36	348	Other Tangible Plant	-	-	-	-
37	Total		$ (68,095)	$ 35,500	$ 35,500	$ 161,500
38						
39						
40						

Quail Creek Water Company
Test Year Ended December 31, 2013
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue modified for ratemaking.
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Income taxes were computed using statutory state and federal income tax rates.
9	
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Quail Creek Water Company
Revenue Summary
Test Year Ended December 31, 2013

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 654,321	$ 944,185	$ 289,864	44.30%	77.46%	75.14%
2	3/4 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
3	1 Inch	Residential	64,595	98,366	33,771	52.28%	7.65%	7.83%
4	1 1/2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
5	2 Inch	Residential	3,424	5,872	2,448	71.51%	0.41%	0.47%
6								
7	5/8x3/4 Inch	Commercial	$ 20,007	$ 32,469	$ 12,462	62.29%	2.37%	2.58%
8	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
9	1 Inch	Commercial	11,118	20,795	9,677	87.04%	1.32%	1.65%
10	1 1/2 Inch	Commercial	9,942	18,822	8,879	89.31%	1.18%	1.50%
11	2 Inch	Commercial	28,157	49,459	21,302	75.65%	3.33%	3.94%
12	3 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
13	6 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
14								
15	5/8x3/4 Inch	Irrigation	$ 10,246	$ 19,254	$ 9,008	87.91%	1.21%	1.53%
16	3/4 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
17	1 Inch	Irrigation	2,514	4,483	1,969	78.32%	0.30%	0.36%
18	1 1/2 Inch	Irrigation	3,957	7,181	3,224	81.47%	0.47%	0.57%
19	2 Inch	Irrigation	9,033	16,688	7,655	84.75%	1.07%	1.33%
20	3 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
21	4 Inch	Irrigation	6,753	10,851	4,098	60.68%	0.80%	0.86%
22								
23								
24								
25								
26								
27	**Subtotals of Revenues**		$ 824,068	$ 1,228,425	$ 404,357	49.07%	97.56%	97.77%
28								
29	**Revenue Annualizations:**							
30	5/8x3/4 Inch	Residential	$ 9,969	$ 14,020	$ 4,051	40.64%	1.18%	1.12%
31	3/4 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
32	1 Inch	Residential	(44)	(67)	(23)	52.60%	-0.01%	-0.01%
33	1 1/2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
34	2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
35								
36	5/8x3/4 Inch	Commercial	$ 1,589	$ 2,494	$ 905	56.98%	0.19%	0.20%
37	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
38	1 Inch	Commercial	2,037	3,613	1,576	77.35%	0.24%	0.29%
39	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
40	2 Inch	Commercial	(1,765)	(2,984)	(1,219)	69.04%	-0.21%	-0.24%
41	3 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
42	6 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
43								
44	5/8x3/4 Inch	Irrigation	$ (36)	$ (99)	$ (63)	173.38%	0.00%	-0.01%
45	3/4 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
46	1 Inch	Irrigation	152	246	94	62.14%	0.02%	0.02%
47	1 1/2 Inch	Irrigation	2,006	3,665	1,659	82.73%	0.24%	0.29%
48	2 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
49	3 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
50	4 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
51								
52	**Subtotal Revenue Annualization**		$ 13,906	$ 20,887	$ 6,981	50.20%	1.65%	2.47%
53								
54	**Total Revenues w/ Annualization**		$ 837,974	$ 1,249,312	$ 411,338	49.09%	99.20%	99.43%
55	**Misc Revenues**		7,353	7,353	-	0.00%	0.87%	0.59%
56	**Reconciling Amount**		(608)	(161)	447	-73.52%	-0.07%	-0.01%
57	**Total Revenues**		$ 844,719	$ 1,256,504	$ 411,785	48.75%	100.00%	100.00%
58								
59								

Quail Creek Water Company
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2013

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		Average Number of Customers at 12/31/2012	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	1,757	5,725	$ 31.03	$ 43.63	$ 12.60	40.62%	88.85%
2	3/4 Inch	Residential	-	-	$ 20.00	$ 28.30	$ 8.30	41.50%	0.00%
3	1 Inch	Residential	129	5,965	41.70	63.31	21.61	51.81%	6.53%
4	1 1/2 Inch	Residential	-	-	50.00	70.75	20.75	41.50%	0.00%
5	2 Inch	Residential	1	73,325	285.31	478.93	193.62	67.86%	0.05%
6									
7	5/8x3/4 Inch	Commercial	53	5,808	$ 31.26	48.42	17.16	54.89%	2.70%
8	3/4 Inch	Commercial	-	-	20.00	28.30	8.30	41.50%	0.00%
9	1 Inch	Commercial	8	34,704	122.17	217.36	95.19	77.92%	0.38%
10	1 1/2 Inch	Commercial	3	80,778	276.18	501.57	225.40	81.61%	0.15%
11	2 Inch	Commercial	9	70,019	276.05	459.81	183.75	66.56%	0.43%
12	3 Inch	Commercial	-	-	150.00	212.25	62.25	41.50%	0.00%
13	6 Inch	Commercial	-	-	500.00	707.50	207.50	41.50%	0.00%
14									
15	5/8x3/4 Inch	Irrigation	11	22,577	$ 78.21	$ 140.78	$ 62.57	79.99%	0.55%
16	3/4 Inch	Irrigation	-	-	20.00	28.30	8.30	41.50%	0.00%
17	1 Inch	Irrigation	3	18,277	76.18	122.37	46.19	60.64%	0.14%
18	1 1/2 Inch	Irrigation	1	70,475	247.33	442.00	194.67	78.71%	0.07%
19	2 Inch	Irrigation	2	105,846	376.37	666.99	290.62	77.22%	0.10%
20	3 Inch	Irrigation	-	-	150.00	212.25	62.25	41.50%	0.00%
21	4 Inch	Irrigation	1	111,709	562.78	876.86	314.08	55.81%	0.05%
22									
23									
24									
25									
26									
27									
28									
29	Totals		1,978						100.00%
30									
31	Actual Year End Number								
32	of Customers:		2,011						
33									
34									
35									
36									

Quail Creek Water Company
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2013

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		Average Number of Customers at 12/31/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	1,757	4,500	$ 27.60	$ 37.90	$ 10.30	37.31%	88.85%
2	3/4 Inch	Residential	-	-	$ 20.00	$ 28.30	$ 8.30	41.50%	0.00%
3	1 Inch	Residential	129	4,500	$ 37.60	$ 56.45	$ 18.85	50.13%	6.53%
4	1 1/2 Inch	Residential	-	-	$ 50.00	$ 70.75	$ 20.75	41.50%	0.00%
5	2 Inch	Residential	1	70,000	$ 276.00	$ 459.70	$ 183.70	66.56%	0.05%
6									
7	5/8x3/4 Inch	Commercial	53	2,500	$ 22.00	$ 32.93	$ 10.93	49.69%	2.70%
8	3/4 Inch	Commercial	-	-	$ 20.00	$ 28.30	$ 8.30	41.50%	0.00%
9	1 Inch	Commercial	8	6,500	$ 43.20	$ 65.81	$ 22.61	52.35%	0.38%
10	1 1/2 Inch	Commercial	3	-	$ 50.00	$ 70.75	$ 20.75	41.50%	0.15%
11	2 Inch	Commercial	9	42,500	$ 199.00	$ 312.22	$ 113.22	56.89%	0.43%
12	3 Inch	Commercial	-	-	$ 150.00	$ 212.25	$ 62.25	41.50%	0.00%
13	6 Inch	Commercial	-	-	$ 500.00	$ 707.50	$ 207.50	41.50%	0.00%
14									
15	5/8x3/4 Inch	Irrigation	11	500	$ 16.40	$ 23.57	$ 7.17	43.70%	0.55%
16	3/4 Inch	Irrigation	-	-	20.00	28.30	8.30	41.50%	0.00%
17	1 Inch	Irrigation	3	-	25.00	35.38	10.38	41.50%	0.14%
18	1 1/2 Inch	Irrigation	1	55,000	204.00	352.51	148.51	72.80%	0.07%
19	2 Inch	Irrigation	2	26,000	152.80	234.95	82.15	53.77%	0.10%
20	3 Inch	Irrigation	-	-	150.00	212.25	62.25	41.50%	0.00%
21	4 Inch	Irrigation	1	80,000	474.00	728.38	254.38	53.67%	0.05%
22									
23									
24									
25									
26									
27									
28									
29	Totals		1,978						100.00%
30									
31	Actual Year End Number								
32	of Customers:		2,011						
33									
34									
35									
36									

Quail Creek Water Company
Metered Revenue Breakdown Summary
Present Rates

Exhibit
Schedule H-2
Page 3
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 321,120	$ 343,170	$ -	$ -	$ 664,290
3/4 Inch	Residential	-	-	-	-	-
1 Inch	Residential	38,700	25,851	-	-	64,551
1 1/2 Inch	Residential	-	-	-	-	-
2 Inch	Residential	960	2,464	-	-	3,424
Subtotal		$ 360,780	$ 371,484	$ -	$ -	$ 732,264
		43.05%	44.33%	0.00%	0.00%	87.39%
5/8x3/4 Inch	Commercial	$ 10,260	$ 11,336	$ -	$ -	$ 21,596
3/4 Inch	Commercial	-	-	-	-	-
1 Inch	Commercial	2,700	10,455	-	-	13,155
1 1/2 Inch	Commercial	1,800	8,142	-	-	9,942
2 Inch	Commercial	7,680	18,712	-	-	26,392
3 Inch	Commercial	-	-	-	-	-
6 Inch	Commercial	-	-	-	-	-
Subtotal		$ 22,440	$ 48,644	$ -	$ -	$ 71,084
		0.00%	0.00%	0.00%	0.00%	0.00%
5/8x3/4 Inch	Irrigation	$ 1,980	$ 8,230	$ -	$ -	$ 10,210
3/4 Inch	Irrigation	-	-	-	-	-
1 Inch	Irrigation	900	1,766	-	-	2,666
1 1/2 Inch	Irrigation	1,200	4,763	-	-	5,963
2 Inch	Irrigation	1,920	7,113	-	-	9,033
3 Inch	Irrigation	-	-	-	-	-
4 Inch	Irrigation	3,000	3,753	-	-	6,753
Golf Course	Irrigation	-	-	-	-	-
Subtotal		9,000	25,625	-	-	34,625
		1.07%	3.06%	0.00%	0.00%	4.13%
5/8x3/4 Inch	Construction	-	-	-	-	-
		0.00%	0.00%	0.00%	0.00%	0.00%
	TOTALS	$ 392,220	$ 445,754	$ -	$ -	$ 837,974
	Percent of Total	46.81%	53.19%	0.00%	0.00%	100.00%
	Cummulative %	46.81%	100.00%	100.00%	100.00%	

Quail Creek Water Company
Metered Revenue Breakdown Summary
Company Proposed Rates

Exhibit
Schedule H-2
Page 4
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 454,385	$ 262,826	$ 185,354	$ 55,640	$ 958,205
3/4 Inch	Residential	-	-	-	-	-
1 Inch	Residential	54,761	41,939	1,599	-	98,299
1 1/2 Inch	Residential	-	-	-	-	-
2 Inch	Residential	1,358	2,447	2,067	-	5,872
Subtotal		$ 510,504	$ 307,212	$ 189,020	$ 55,640	$ 1,062,376
		40.86%	24.59%	15.13%	4.45%	85.04%
5/8x3/4 Inch	Commercial	$ 14,518	$ 12,628	$ 7,817	$ -	$ 34,963
3/4 Inch	Commercial	-	-	-	-	-
1 Inch	Commercial	3,821	4,278	16,309	-	24,407
1 1/2 Inch	Commercial	2,547	2,306	13,968	-	18,822
2 Inch	Commercial	10,867	12,932	22,676	-	46,475
3 Inch	Commercial	-	-	-	-	-
6 Inch	Commercial	-	-	-	-	-
Subtotal		$ 31,753	$ 32,144	$ 60,771	$ -	$ 124,667
		2.54%	2.57%	4.86%	0.00%	9.98%
5/8x3/4 Inch	Irrigation	$ 2,802	$ 2,743	$ 13,610	$ -	$ 19,154
3/4 Inch	Irrigation	-	-	-	-	-
1 Inch	Irrigation	1,274	815	2,641	-	4,729
1 1/2 Inch	Irrigation	1,698	2,931	6,217	-	10,847
2 Inch	Irrigation	2,717	3,060	10,911	-	16,688
3 Inch	Irrigation	-	-	-	-	-
4 Inch	Irrigation	4,245	4,877	1,729	-	10,851
Golf Course	Irrigation	-	-	-	-	-
Subtotal		$ 12,735	$ 14,427	$ 35,108	$ -	$ 62,269
		1.02%	1.15%	2.81%	0.00%	4.98%
5/8x3/4 Inch	Construction	-	-	-	-	-
		0.00%	0.00%	0.00%	0.00%	0.00%
	TOTALS	$ 554,991	$ 353,782	$ 284,898	$ 55,640	$ 1,249,312
	Percent of Total	44.42%	28.32%	22.80%	4.45%	100.00%
	Cummulative %	44.42%	72.74%	95.55%	100.00%	

Quail Creek Water Company
Test Year Ended December 31, 2013
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4 Inch	$ 15.00	$ 21.23	$ 6.23	41.50%
2	3/4 Inch	20.00	28.30	8.30	41.50%
3	1 Inch	25.00	35.38	10.38	41.50%
4	1 1/2 Inch	50.00	70.75	20.75	41.50%
5	2 Inch	80.00	113.20	33.20	41.50%
6	3 Inch	150.00	212.25	62.25	41.50%
7	4 Inch	250.00	353.75	103.75	41.50%
8	6 Inch	500.00	707.50	207.50	41.50%
9	Standpipe	-	-	-	NM
10					
11					
12	Gallons In Minimum (all classes)	-	-		
13					
14					
15					
16					
17					
18					

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate
19				
20				
21	5/8x3/4 Inch (all classes)	Over Minimum	$ 2.80	
22				
23	5/8x3/4 Inch - Residential	1 gallons to 4,000 gallons		$ 3.58
24		4,001 gallons to 10,000 gallons		$ 4.68
25		over 10,000 gallons		$ 5.78
26				
27	5/8x3/4 Inch - Non-residential	1 gallons to 10,000 gallons		$ 4.68
28		over 10,000 gallons		$ 5.78
29				
30	3/4 Inch Meter (all classes)	Over Minimum	$ 2.80	
31				
32	3/4 Inch Meter - Residential	1 gallons to 4,000 gallons		$ 3.58
33		4,001 gallons to 10,000 gallons		$ 4.68
34		over 10,000 gallons		$ 5.78
35				
36	3/4 Inch Meter - Non-residential	1 gallons to 10,000 gallons		$ 4.68
37		over 10,000 gallons		$ 5.78
38				
39				
40				
41				
42				
43	NM = not meaningful			
44	NT = No Tariff			
45				

Quail Creek Water Company
Test Year Ended December 31, 2013
Present and Proposed Rates

Exhibit
Schedule H-3
Page 2

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate
1				
2				
3	**Commodity Rates (per 1,000 gallons)**	**Block**	**Present Rate**	**Proposed Rate**
4	1 Inch Meter (all classes)	Over Minimum	$ 2.80	
5				
6	1 Inch Meter (all classes)	1 gallons to 17,000 gallons		$ 4.68
7		over 17,000 gallons		$ 5.78
8				
9	1.5 Inch Meter (all classes)	Over Minimum	$ 2.80	
10				
11	1.5 Inch Meter - (all classes)	1 gallons to 33,000 gallons		$ 4.68
12		over 33,000 gallons		$ 5.78
13				
14	2 Inch Meter (all classes)	Over Minimum	$ 2.80	
15				
16	2 Inch Meter - (all classes)	1 gallons to 53,000 gallons		$ 4.68
17		over 53,000 gallons		$ 5.78
18				
19	3 Inch Meter (all classes)	Over Minimum	$ 2.80	
20				
21	3 Inch Meter - (all classes)	1 gallons to 100,000 gallons		$ 4.68
22		over 107,000 gallons		$ 5.78
23				
24	4 Inch Meter (all classes)	Over Minimum	$ 2.80	
25				
26	4 Inch Meter (all classes)	1 gallons to 167,000 gallons		$ 4.68
27		over 167,000 gallons		$ 5.78
28				
29	6 Inch Meter - (all classes)	1 gallons to 334,000 gallons		$ 4.68
30		over 334,000 gallons		$ 5.78
31				
32				
33	Standpipe*	All gallons	$ 2.80	$ 5.78
34				
35	* Includes hydrant or construction water.			
36	NT = No Tariff			

Quail Creek Water Company
Present and Proposed Rates
Test Year Ended December 31, 2013

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge[1]	Proposed Meter Installation Charge[1]	Total Proposed Charge[1]
7	5/8 x 3/4 Inch			$ 350.00	$ 385.00	$ 135.00	$ 520.00
8	3/4 Inch			$ 400.00	415.00	205.00	620.00
9	1 Inch			$ 470.00	465.00	265.00	730.00
10	1 1/2 Inch			$ 695.00	520.00	475.00	995.00
11	2 Inch Turbo			$ 1,225.00	800.00	995.00	1,795.00
12	2 Inch, Compound			$ 1,820.00	800.00	1,840.00	2,640.00
13	3 Inch Turbo			$ 1,735.00	1,015.00	1,620.00	2,635.00
14	3 Inch, compound			$ 2,410.00	1,135.00	2,495.00	3,630.00
15	4 Inch Turbo			$ 2,700.00	1,430.00	2,570.00	4,000.00
16	4 Inch, compound			$ 3,455.00	1,610.00	3,545.00	5,155.00
17	6 Inch Turbo			$ 5,115.00	2,150.00	4,925.00	7,075.00
18	6 Inch, compound			$ 6,650.00	2,270.00	6,820.00	9,090.00

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008

Other Charges:

Establishment	$ 25.00	$ 25.00
Establishment (after hours)	$ 45.00	Remove
Reestablishment within 12 months	*	*
Reconnection/Delinguent	$ 25.00	$ 25.00
Meter Test (if correct)	$ 30.00	$ 30.00
Meter Re-read (if correct)	$ 15.00	$ 15.00
Deposit	**	**
Deposit Interest	**	**
NSF Check	$ 15.00	$ 15.00
Deferred Payment, per month	1.5% per month	1.5% per month
Late Payment Fee (per month)	***	***
After hours service charge	NT	$ 50.00

Monthly Service Charge of Fire Sprinklers

4" or Smaller	****	****
6"	****	****
8"	****	****
10"	****	****
Larger than 10"	****	****

* Number of months off the system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).
** Per Rule R14-2-403.B
*** 1.5% per month or a minimum of $3.50.
**** 1% of monthly minimum for a comparable sized meter connection, but no less than $5.00 per month (requires separate service line).

NT = No Tariff

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.00	$ 21.23	$ 6.23	41.50%
1,000	17.80	24.81	$ 7.01	39.37%
2,000	20.60	28.39	$ 7.79	37.82%
3,000	23.40	31.97	$ 8.57	36.64%
4,000	26.20	35.56	$ 9.36	35.71%
5,000	29.00	40.24	$ 11.24	38.76%
6,000	31.80	44.92	$ 13.12	41.26%
7,000	34.60	49.60	$ 15.00	43.37%
8,000	37.40	54.29	$ 16.89	45.15%
9,000	40.20	58.97	$ 18.77	46.69%
10,000	43.00	63.65	$ 20.65	48.03%
12,000	48.60	75.22	$ 26.62	54.77%
14,000	54.20	86.78	$ 32.58	60.12%
16,000	59.80	98.35	$ 38.55	64.47%
18,000	65.40	109.92	$ 44.52	68.07%
20,000	71.00	121.48	$ 50.48	71.10%
25,000	85.00	150.40	$ 65.40	76.94%
30,000	99.00	179.31	$ 80.31	81.12%
35,000	113.00	208.22	$ 95.22	84.27%
40,000	127.00	237.14	$ 110.14	86.72%
45,000	141.00	266.05	$ 125.05	88.69%
50,000	155.00	294.97	$ 139.97	90.30%
60,000	183.00	352.79	$ 169.79	92.78%
70,000	211.00	410.62	$ 199.62	94.61%
80,000	239.00	468.45	$ 229.45	96.00%
90,000	267.00	526.28	$ 259.28	97.11%
100,000	295.00	584.11	$ 289.11	98.00%
Average Usage				
5,725	$ 31.03	$ 43.63	$ 12.60	40.62%
Median Usage				
4,500	$ 27.60	$ 37.90	$ 10.30	37.31%

Present Rates:

Monthly Minimum:		$	15.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	21.23
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	3.58
Up to	10,000	$	4.68
Over	10,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 3/4 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 20.00	$ 28.30	$ 8.30	41.50%
1,000	22.80	31.88	$ 9.08	39.84%
2,000	25.60	35.47	$ 9.87	38.54%
3,000	28.40	39.05	$ 10.65	37.49%
4,000	31.20	42.63	$ 11.43	36.64%
5,000	34.00	47.31	$ 13.31	39.16%
6,000	36.80	52.00	$ 15.20	41.30%
7,000	39.60	56.68	$ 17.08	43.13%
8,000	42.40	61.36	$ 18.96	44.72%
9,000	45.20	66.05	$ 20.85	46.12%
10,000	48.00	70.73	$ 22.73	47.35%
12,000	53.60	82.29	$ 28.69	53.53%
14,000	59.20	93.86	$ 34.66	58.55%
16,000	64.80	105.43	$ 40.63	62.69%
18,000	70.40	116.99	$ 46.59	66.18%
20,000	76.00	128.56	$ 52.56	69.15%
25,000	90.00	157.47	$ 67.47	74.97%
30,000	104.00	186.38	$ 82.38	79.22%
35,000	118.00	215.30	$ 97.30	82.46%
40,000	132.00	244.21	$ 112.21	85.01%
45,000	146.00	273.13	$ 127.13	87.07%
50,000	160.00	302.04	$ 142.04	88.78%
60,000	188.00	359.87	$ 171.87	91.42%
70,000	216.00	417.70	$ 201.70	93.38%
80,000	244.00	475.53	$ 231.53	94.89%
90,000	272.00	533.35	$ 261.35	96.09%
100,000	300.00	591.18	$ 291.18	97.06%
Average Usage				
-	$ 20.00	$ 28.30	$ 8.30	41.50%
Median Usage				
-	$ 20.00	$ 28.30	$ 8.30	41.50%

Present Rates:

Monthly Minimum:	$	20.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.	$	2.80

Proposed Rates:

Monthly Minimum:		$	28.30
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	3.58
Up to	10,000	$	4.68
Over	10,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 25.00	$ 35.38	$ 10.38	41.50%
1,000	27.80	40.06	$ 12.26	44.09%
2,000	30.60	44.74	$ 14.14	46.21%
3,000	33.40	49.42	$ 16.02	47.97%
4,000	36.20	54.11	$ 17.91	49.46%
5,000	39.00	58.79	$ 19.79	50.74%
6,000	41.80	63.47	$ 21.67	51.85%
7,000	44.60	68.15	$ 23.55	52.81%
8,000	47.40	72.84	$ 25.44	53.67%
9,000	50.20	77.52	$ 27.32	54.42%
10,000	53.00	82.20	$ 29.20	55.10%
12,000	58.60	91.57	$ 32.97	56.26%
14,000	64.20	100.93	$ 36.73	57.22%
16,000	69.80	110.30	$ 40.50	58.02%
18,000	75.40	120.77	$ 45.37	60.17%
20,000	81.00	132.33	$ 51.33	63.37%
25,000	95.00	161.25	$ 66.25	69.73%
30,000	109.00	190.16	$ 81.16	74.46%
35,000	123.00	219.07	$ 96.07	78.11%
40,000	137.00	247.99	$ 110.99	81.01%
45,000	151.00	276.90	$ 125.90	83.38%
50,000	165.00	305.82	$ 140.82	85.34%
60,000	193.00	363.64	$ 170.64	88.42%
70,000	221.00	421.47	$ 200.47	90.71%
80,000	249.00	479.30	$ 230.30	92.49%
90,000	277.00	537.13	$ 260.13	93.91%
100,000	305.00	594.96	$ 289.96	95.07%
Average Usage				
5,965	$ 41.70	$ 63.31	$ 21.61	51.81%
Median Usage				
4,500	$ 37.60	$ 56.45	$ 18.85	50.13%

Present Rates:

Monthly Minimum:		$ 25.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 35.38
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	17,000	$ 4.68
Over	17,000	$ 5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1.5 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 50.00	$ 70.75	$ 20.75	41.50%
1,000	52.80	75.43	$ 22.63	42.87%
2,000	55.60	80.12	$ 24.52	44.09%
3,000	58.40	84.80	$ 26.40	45.20%
4,000	61.20	89.48	$ 28.28	46.21%
5,000	64.00	94.16	$ 30.16	47.13%
6,000	66.80	98.85	$ 32.05	47.97%
7,000	69.60	103.53	$ 33.93	48.75%
8,000	72.40	108.21	$ 35.81	49.46%
9,000	75.20	112.90	$ 37.70	50.13%
10,000	78.00	117.58	$ 39.58	50.74%
12,000	83.60	126.94	$ 43.34	51.85%
14,000	89.20	136.31	$ 47.11	52.81%
16,000	94.80	145.68	$ 50.88	53.67%
18,000	100.40	155.04	$ 54.64	54.42%
20,000	106.00	164.41	$ 58.41	55.10%
25,000	120.00	187.82	$ 67.82	56.52%
30,000	134.00	211.23	$ 77.23	57.64%
35,000	148.00	236.85	$ 88.85	60.03%
40,000	162.00	265.76	$ 103.76	64.05%
45,000	176.00	294.68	$ 118.68	67.43%
50,000	190.00	323.59	$ 133.59	70.31%
60,000	218.00	381.42	$ 163.42	74.96%
70,000	246.00	439.25	$ 193.25	78.56%
80,000	274.00	497.08	$ 223.08	81.41%
90,000	302.00	554.90	$ 252.90	83.74%
100,000	330.00	612.73	$ 282.73	85.68%
Average Usage				
-	$ 50.00	$ 70.75	$ 20.75	41.50%
Median Usage				
-	$ 50.00	$ 70.75	$ 20.75	41.50%

Present Rates:

Monthly Minimum:		$ 50.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 70.75
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	33,000	$ 4.68
Over	33,000	$ 5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 2 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 80.00	$ 113.20	$ 33.20	41.50%
1,000	82.80	117.88	$ 35.08	42.37%
2,000	85.60	122.57	$ 36.97	43.18%
3,000	88.40	127.25	$ 38.85	43.95%
4,000	91.20	131.93	$ 40.73	44.66%
5,000	94.00	136.61	$ 42.61	45.33%
6,000	96.80	141.30	$ 44.50	45.97%
7,000	99.60	145.98	$ 46.38	46.57%
8,000	102.40	150.66	$ 48.26	47.13%
9,000	105.20	155.35	$ 50.15	47.67%
10,000	108.00	160.03	$ 52.03	48.17%
12,000	113.60	169.39	$ 55.79	49.11%
14,000	119.20	178.76	$ 59.56	49.97%
16,000	124.80	188.13	$ 63.33	50.74%
18,000	130.40	197.49	$ 67.09	51.45%
20,000	136.00	206.86	$ 70.86	52.10%
25,000	150.00	230.27	$ 80.27	53.51%
30,000	164.00	253.68	$ 89.68	54.69%
35,000	178.00	277.10	$ 99.10	55.67%
40,000	192.00	300.51	$ 108.51	56.52%
45,000	206.00	323.93	$ 117.93	57.25%
50,000	220.00	347.34	$ 127.34	57.88%
60,000	248.00	401.87	$ 153.87	62.04%
70,000	276.00	459.70	$ 183.70	66.56%
80,000	304.00	517.53	$ 213.53	70.24%
90,000	332.00	575.35	$ 243.35	73.30%
100,000	360.00	633.18	$ 273.18	75.88%
Average Usage				
73,325	$ 285.31	$ 478.93	$ 193.62	67.86%
Median Usage				
70,000	$ 276.00	$ 459.70	$ 183.70	66.56%

Present Rates:

Monthly Minimum:		$	80.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	113.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	53,000	$	4.68
Over	53,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.00	$ 21.23	$ 6.23	41.50%
1,000	17.80	25.91	$ 8.11	45.55%
2,000	20.60	30.59	$ 9.99	48.50%
3,000	23.40	35.27	$ 11.87	50.74%
4,000	26.20	39.96	$ 13.76	52.50%
5,000	29.00	44.64	$ 15.64	53.93%
6,000	31.80	49.32	$ 17.52	55.10%
7,000	34.60	54.00	$ 19.40	56.08%
8,000	37.40	58.69	$ 21.29	56.92%
9,000	40.20	63.37	$ 23.17	57.64%
10,000	43.00	68.05	$ 25.05	58.26%
12,000	48.60	79.62	$ 31.02	63.82%
14,000	54.20	91.18	$ 36.98	68.24%
16,000	59.80	102.75	$ 42.95	71.82%
18,000	65.40	114.32	$ 48.92	74.79%
20,000	71.00	125.88	$ 54.88	77.30%
25,000	85.00	154.80	$ 69.80	82.11%
30,000	99.00	183.71	$ 84.71	85.57%
35,000	113.00	212.62	$ 99.62	88.16%
40,000	127.00	241.54	$ 114.54	90.19%
45,000	141.00	270.45	$ 129.45	91.81%
50,000	155.00	299.37	$ 144.37	93.14%
60,000	183.00	357.19	$ 174.19	95.19%
70,000	211.00	415.02	$ 204.02	96.69%
80,000	239.00	472.85	$ 233.85	97.85%
90,000	267.00	530.68	$ 263.68	98.76%
100,000	295.00	588.51	$ 293.51	99.49%
Average Usage				
5,808	$ 31.26	$ 48.42	$ 17.16	54.89%
Median Usage				
2,500	$ 22.00	$ 32.93	$ 10.93	49.69%

Present Rates:

Monthly Minimum:		$	15.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	21.23
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	4.68
Over	10,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2013
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 20.00	$ 28.30	$ 8.30	41.50%
1,000	22.80	32.98	$ 10.18	44.66%
2,000	25.60	37.67	$ 12.07	47.13%
3,000	28.40	42.35	$ 13.95	49.11%
4,000	31.20	47.03	$ 15.83	50.74%
5,000	34.00	51.71	$ 17.71	52.10%
6,000	36.80	56.40	$ 19.60	53.25%
7,000	39.60	61.08	$ 21.48	54.24%
8,000	42.40	65.76	$ 23.36	55.10%
9,000	45.20	70.45	$ 25.25	55.85%
10,000	48.00	75.13	$ 27.13	56.52%
12,000	53.60	86.69	$ 33.09	61.74%
14,000	59.20	98.26	$ 39.06	65.98%
16,000	64.80	109.83	$ 45.03	69.48%
18,000	70.40	121.39	$ 50.99	72.43%
20,000	76.00	132.96	$ 56.96	74.94%
25,000	90.00	161.87	$ 71.87	79.86%
30,000	104.00	190.78	$ 86.78	83.45%
35,000	118.00	219.70	$ 101.70	86.19%
40,000	132.00	248.61	$ 116.61	88.34%
45,000	146.00	277.53	$ 131.53	90.09%
50,000	160.00	306.44	$ 146.44	91.53%
60,000	188.00	364.27	$ 176.27	93.76%
70,000	216.00	422.10	$ 206.10	95.42%
80,000	244.00	479.93	$ 235.93	96.69%
90,000	272.00	537.75	$ 265.75	97.70%
100,000	300.00	595.58	$ 295.58	98.53%
Average Usage				
-	$ 20.00	$ 28.30	$ 8.30	41.50%
Median Usage				
-	$ 20.00	$ 28.30	$ 8.30	41.50%

Present Rates:

Monthly Minimum:		$	20.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	28.30
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	4.68
Over	10,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 25.00	$ 35.38	$ 10.38	41.50%
1,000	27.80	40.06	$ 12.26	44.09%
2,000	30.60	44.74	$ 14.14	46.21%
3,000	33.40	49.42	$ 16.02	47.97%
4,000	36.20	54.11	$ 17.91	49.46%
5,000	39.00	58.79	$ 19.79	50.74%
6,000	41.80	63.47	$ 21.67	51.85%
7,000	44.60	68.15	$ 23.55	52.81%
8,000	47.40	72.84	$ 25.44	53.67%
9,000	50.20	77.52	$ 27.32	54.42%
10,000	53.00	82.20	$ 29.20	55.10%
12,000	58.60	91.57	$ 32.97	56.26%
14,000	64.20	100.93	$ 36.73	57.22%
16,000	69.80	110.30	$ 40.50	58.02%
18,000	75.40	120.77	$ 45.37	60.17%
20,000	81.00	132.33	$ 51.33	63.37%
25,000	95.00	161.25	$ 66.25	69.73%
30,000	109.00	190.16	$ 81.16	74.46%
35,000	123.00	219.07	$ 96.07	78.11%
40,000	137.00	247.99	$ 110.99	81.01%
45,000	151.00	276.90	$ 125.90	83.38%
50,000	165.00	305.82	$ 140.82	85.34%
60,000	193.00	363.64	$ 170.64	88.42%
70,000	221.00	421.47	$ 200.47	90.71%
80,000	249.00	479.30	$ 230.30	92.49%
90,000	277.00	537.13	$ 260.13	93.91%
100,000	305.00	594.96	$ 289.96	95.07%
Average Usage				
34,704	$ 122.17	$ 217.36	$ 95.19	77.92%
Median Usage				
6,500	$ 43.20	$ 65.81	$ 22.61	52.35%

Present Rates:

Monthly Minimum:		$	25.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	35.38
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	17,000	$	4.68
Over	17,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 1/2 Inch Meter
Test Year Ended December 31, 2013

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Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 50.00	$ 70.75	$ 20.75	41.50%
1,000	52.80	75.43	$ 22.63	42.87%
2,000	55.60	80.12	$ 24.52	44.09%
3,000	58.40	84.80	$ 26.40	45.20%
4,000	61.20	89.48	$ 28.28	46.21%
5,000	64.00	94.16	$ 30.16	47.13%
6,000	66.80	98.85	$ 32.05	47.97%
7,000	69.60	103.53	$ 33.93	48.75%
8,000	72.40	108.21	$ 35.81	49.46%
9,000	75.20	112.90	$ 37.70	50.13%
10,000	78.00	117.58	$ 39.58	50.74%
12,000	83.60	126.94	$ 43.34	51.85%
14,000	89.20	136.31	$ 47.11	52.81%
16,000	94.80	145.68	$ 50.88	53.67%
18,000	100.40	155.04	$ 54.64	54.42%
20,000	106.00	164.41	$ 58.41	55.10%
25,000	120.00	187.82	$ 67.82	56.52%
30,000	134.00	211.23	$ 77.23	57.64%
35,000	148.00	236.85	$ 88.85	60.03%
40,000	162.00	265.76	$ 103.76	64.05%
45,000	176.00	294.68	$ 118.68	67.43%
50,000	190.00	323.59	$ 133.59	70.31%
60,000	218.00	381.42	$ 163.42	74.96%
70,000	246.00	439.25	$ 193.25	78.56%
80,000	274.00	497.08	$ 223.08	81.41%
90,000	302.00	554.90	$ 252.90	83.74%
100,000	330.00	612.73	$ 282.73	85.68%
Average Usage				
80,778	$ 276.18	$ 501.57	$ 225.40	81.61%
Median Usage				
-	$ 50.00	$ 70.75	$ 20.75	41.50%

Present Rates:

Monthly Minimum:		$	50.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	70.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	33,000	$	4.68
Over	33,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 80.00	$ 113.20	$ 33.20	41.50%
1,000	82.80	117.88	$ 35.08	42.37%
2,000	85.60	122.57	$ 36.97	43.18%
3,000	88.40	127.25	$ 38.85	43.95%
4,000	91.20	131.93	$ 40.73	44.66%
5,000	94.00	136.61	$ 42.61	45.33%
6,000	96.80	141.30	$ 44.50	45.97%
7,000	99.60	145.98	$ 46.38	46.57%
8,000	102.40	150.66	$ 48.26	47.13%
9,000	105.20	155.35	$ 50.15	47.67%
10,000	108.00	160.03	$ 52.03	48.17%
12,000	113.60	169.39	$ 55.79	49.11%
14,000	119.20	178.76	$ 59.56	49.97%
16,000	124.80	188.13	$ 63.33	50.74%
18,000	130.40	197.49	$ 67.09	51.45%
20,000	136.00	206.86	$ 70.86	52.10%
25,000	150.00	230.27	$ 80.27	53.51%
30,000	164.00	253.68	$ 89.68	54.69%
35,000	178.00	277.10	$ 99.10	55.67%
40,000	192.00	300.51	$ 108.51	56.52%
45,000	206.00	323.93	$ 117.93	57.25%
50,000	220.00	347.34	$ 127.34	57.88%
60,000	248.00	401.87	$ 153.87	62.04%
70,000	276.00	459.70	$ 183.70	66.56%
80,000	304.00	517.53	$ 213.53	70.24%
90,000	332.00	575.35	$ 243.35	73.30%
100,000	360.00	633.18	$ 273.18	75.88%
Average Usage				
70,019	$ 276.05	$ 459.81	$ 183.75	66.56%
Median Usage				
42,500	$ 199.00	$ 312.22	$ 113.22	56.89%

Present Rates:

Monthly Minimum:		$ 80.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 113.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	53,000	$ 4.68
Over	53,000	$ 5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 3 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 150.00	$ 212.25	$ 62.25	41.50%
1,000	152.80	216.93	$ 64.13	41.97%
2,000	155.60	221.62	$ 66.02	42.43%
3,000	158.40	226.30	$ 67.90	42.87%
4,000	161.20	230.98	$ 69.78	43.29%
5,000	164.00	235.66	$ 71.66	43.70%
6,000	166.80	240.35	$ 73.55	44.09%
7,000	169.60	245.03	$ 75.43	44.48%
8,000	172.40	249.71	$ 77.31	44.84%
9,000	175.20	254.40	$ 79.20	45.20%
10,000	178.00	259.08	$ 81.08	45.55%
12,000	183.60	268.44	$ 84.84	46.21%
14,000	189.20	277.81	$ 88.61	46.83%
16,000	194.80	287.18	$ 92.38	47.42%
18,000	200.40	296.54	$ 96.14	47.97%
20,000	206.00	305.91	$ 99.91	48.50%
25,000	220.00	329.32	$ 109.32	49.69%
30,000	234.00	352.73	$ 118.73	50.74%
35,000	248.00	376.15	$ 128.15	51.67%
40,000	262.00	399.56	$ 137.56	52.50%
45,000	276.00	422.98	$ 146.98	53.25%
50,000	290.00	446.39	$ 156.39	53.93%
60,000	318.00	493.22	$ 175.22	55.10%
70,000	346.00	540.05	$ 194.05	56.08%
80,000	374.00	586.88	$ 212.88	56.92%
90,000	402.00	633.70	$ 231.70	57.64%
100,000	430.00	680.53	$ 250.53	58.26%
Average Usage				
-	$ 150.00	$ 212.25	$ 62.25	41.50%
Median Usage				
-	$ 150.00	$ 212.25	$ 62.25	41.50%

Present Rates:

Monthly Minimum:		$	150.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	212.25
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	100,000	$	4.68
Over	100,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 6 Inch Meter
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 500.00	$ 707.50	$ 207.50	41.50%
1,000	502.80	712.18	$ 209.38	41.64%
2,000	505.60	716.87	$ 211.27	41.79%
3,000	508.40	721.55	$ 213.15	41.93%
4,000	511.20	726.23	$ 215.03	42.06%
5,000	514.00	730.91	$ 216.91	42.20%
6,000	516.80	735.60	$ 218.80	42.34%
7,000	519.60	740.28	$ 220.68	42.47%
8,000	522.40	744.96	$ 222.56	42.60%
9,000	525.20	749.65	$ 224.45	42.74%
10,000	528.00	754.33	$ 226.33	42.87%
12,000	533.60	763.69	$ 230.09	43.12%
14,000	539.20	773.06	$ 233.86	43.37%
16,000	544.80	782.43	$ 237.63	43.62%
18,000	550.40	791.79	$ 241.39	43.86%
20,000	556.00	801.16	$ 245.16	44.09%
25,000	570.00	824.57	$ 254.57	44.66%
30,000	584.00	847.98	$ 263.98	45.20%
35,000	598.00	871.40	$ 273.40	45.72%
40,000	612.00	894.81	$ 282.81	46.21%
45,000	626.00	918.23	$ 292.23	46.68%
50,000	640.00	941.64	$ 301.64	47.13%
60,000	668.00	988.47	$ 320.47	47.97%
70,000	696.00	1,035.30	$ 339.30	48.75%
80,000	724.00	1,082.13	$ 358.13	49.46%
90,000	752.00	1,128.95	$ 376.95	50.13%
100,000	780.00	1,175.78	$ 395.78	50.74%
Average Usage				
-	$ 500.00	$ 707.50	$ 207.50	41.50%
Median Usage				
-	$ 500.00	$ 707.50	$ 207.50	41.50%

Present Rates:

Monthly Minimum:		$	500.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	707.50
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	333,000	$	4.68
Over	333,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 5/8x3/4 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.00	$ 21.23	$ 6.23	41.50%
1,000	17.80	25.91	$ 8.11	45.55%
2,000	20.60	30.59	$ 9.99	48.50%
3,000	23.40	35.27	$ 11.87	50.74%
4,000	26.20	39.96	$ 13.76	52.50%
5,000	29.00	44.64	$ 15.64	53.93%
6,000	31.80	49.32	$ 17.52	55.10%
7,000	34.60	54.00	$ 19.40	56.08%
8,000	37.40	58.69	$ 21.29	56.92%
9,000	40.20	63.37	$ 23.17	57.64%
10,000	43.00	68.05	$ 25.05	58.26%
12,000	48.60	79.62	$ 31.02	63.82%
14,000	54.20	91.18	$ 36.98	68.24%
16,000	59.80	102.75	$ 42.95	71.82%
18,000	65.40	114.32	$ 48.92	74.79%
20,000	71.00	125.88	$ 54.88	77.30%
25,000	85.00	154.80	$ 69.80	82.11%
30,000	99.00	183.71	$ 84.71	85.57%
35,000	113.00	212.62	$ 99.62	88.16%
40,000	127.00	241.54	$ 114.54	90.19%
45,000	141.00	270.45	$ 129.45	91.81%
50,000	155.00	299.37	$ 144.37	93.14%
60,000	183.00	357.19	$ 174.19	95.19%
70,000	211.00	415.02	$ 204.02	96.69%
80,000	239.00	472.85	$ 233.85	97.85%
90,000	267.00	530.68	$ 263.68	98.76%
100,000	295.00	588.51	$ 293.51	99.49%
Average Usage				
22,577	$ 78.21	$ 140.78	$ 62.57	79.99%
Median Usage				
500	$ 16.40	$ 23.57	$ 7.17	43.70%

Present Rates:

Monthly Minimum:		$	15.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	21.23
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	4.68
Over	10,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 3/4 Inch Irrigation
Test Year Ended December 31, 2013

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Schedule H-4
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Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 20.00	$ 28.30	$ 8.30	41.50%
1,000	22.80	32.98	$ 10.18	44.66%
2,000	25.60	37.67	$ 12.07	47.13%
3,000	28.40	42.35	$ 13.95	49.11%
4,000	31.20	47.03	$ 15.83	50.74%
5,000	34.00	51.71	$ 17.71	52.10%
6,000	36.80	56.40	$ 19.60	53.25%
7,000	39.60	61.08	$ 21.48	54.24%
8,000	42.40	65.76	$ 23.36	55.10%
9,000	45.20	70.45	$ 25.25	55.85%
10,000	48.00	75.13	$ 27.13	56.52%
12,000	53.60	86.69	$ 33.09	61.74%
14,000	59.20	98.26	$ 39.06	65.98%
16,000	64.80	109.83	$ 45.03	69.48%
18,000	70.40	121.39	$ 50.99	72.43%
20,000	76.00	132.96	$ 56.96	74.94%
25,000	90.00	161.87	$ 71.87	79.86%
30,000	104.00	190.78	$ 86.78	83.45%
35,000	118.00	219.70	$ 101.70	86.19%
40,000	132.00	248.61	$ 116.61	88.34%
45,000	146.00	277.53	$ 131.53	90.09%
50,000	160.00	306.44	$ 146.44	91.53%
60,000	188.00	364.27	$ 176.27	93.76%
70,000	216.00	422.10	$ 206.10	95.42%
80,000	244.00	479.93	$ 235.93	96.69%
90,000	272.00	537.75	$ 265.75	97.70%
100,000	300.00	595.58	$ 295.58	98.53%
Average Usage				
-	$ 20.00	$ 28.30	$ 8.30	41.50%
Median Usage				
-	$ 20.00	$ 28.30	$ 8.30	41.50%

Present Rates:

Monthly Minimum:		$ 20.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 28.30
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	10,000	$ 4.68
Over	10,000	$ 5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 1 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
Page 15
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 25.00	$ 35.38	$ 10.38	41.50%
1,000	27.80	40.06	$ 12.26	44.09%
2,000	30.60	44.74	$ 14.14	46.21%
3,000	33.40	49.42	$ 16.02	47.97%
4,000	36.20	54.11	$ 17.91	49.46%
5,000	39.00	58.79	$ 19.79	50.74%
6,000	41.80	63.47	$ 21.67	51.85%
7,000	44.60	68.15	$ 23.55	52.81%
8,000	47.40	72.84	$ 25.44	53.67%
9,000	50.20	77.52	$ 27.32	54.42%
10,000	53.00	82.20	$ 29.20	55.10%
12,000	58.60	91.57	$ 32.97	56.26%
14,000	64.20	100.93	$ 36.73	57.22%
16,000	69.80	110.30	$ 40.50	58.02%
18,000	75.40	120.77	$ 45.37	60.17%
20,000	81.00	132.33	$ 51.33	63.37%
25,000	95.00	161.25	$ 66.25	69.73%
30,000	109.00	190.16	$ 81.16	74.46%
35,000	123.00	219.07	$ 96.07	78.11%
40,000	137.00	247.99	$ 110.99	81.01%
45,000	151.00	276.90	$ 125.90	83.38%
50,000	165.00	305.82	$ 140.82	85.34%
60,000	193.00	363.64	$ 170.64	88.42%
70,000	221.00	421.47	$ 200.47	90.71%
80,000	249.00	479.30	$ 230.30	92.49%
90,000	277.00	537.13	$ 260.13	93.91%
100,000	305.00	594.96	$ 289.96	95.07%
Average Usage				
18,277	$ 76.18	$ 122.37	$ 46.19	60.64%
Median Usage				
-	$ 25.00	$ 35.38	$ 10.38	41.50%

Present Rates:

Monthly Minimum:		$	25.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	35.38
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	17,000	$	4.68
Over	17,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 1.5 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
Page 16
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 50.00	$ 70.75	$ 20.75	41.50%
1,000	52.80	75.43	$ 22.63	42.87%
2,000	55.60	80.12	$ 24.52	44.09%
3,000	58.40	84.80	$ 26.40	45.20%
4,000	61.20	89.48	$ 28.28	46.21%
5,000	64.00	94.16	$ 30.16	47.13%
6,000	66.80	98.85	$ 32.05	47.97%
7,000	69.60	103.53	$ 33.93	48.75%
8,000	72.40	108.21	$ 35.81	49.46%
9,000	75.20	112.90	$ 37.70	50.13%
10,000	78.00	117.58	$ 39.58	50.74%
12,000	83.60	126.94	$ 43.34	51.85%
14,000	89.20	136.31	$ 47.11	52.81%
16,000	94.80	145.68	$ 50.88	53.67%
18,000	100.40	155.04	$ 54.64	54.42%
20,000	106.00	164.41	$ 58.41	55.10%
25,000	120.00	187.82	$ 67.82	56.52%
30,000	134.00	211.23	$ 77.23	57.64%
35,000	148.00	236.85	$ 88.85	60.03%
40,000	162.00	265.76	$ 103.76	64.05%
45,000	176.00	294.68	$ 118.68	67.43%
50,000	190.00	323.59	$ 133.59	70.31%
60,000	218.00	381.42	$ 163.42	74.96%
70,000	246.00	439.25	$ 193.25	78.56%
80,000	274.00	497.08	$ 223.08	81.41%
90,000	302.00	554.90	$ 252.90	83.74%
100,000	330.00	612.73	$ 282.73	85.68%
Average Usage				
70,475	$ 247.33	$ 442.00	$ 194.67	78.71%
Median Usage				
55,000	$ 204.00	$ 352.51	$ 148.51	72.80%

Present Rates:

Monthly Minimum:		$	50.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All Gallons over Min.		$	2.80

Proposed Rates:

Monthly Minimum:		$	70.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	33,000	$	4.68
Over	33,000	$	5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 2 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
Page 17
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 80.00	$ 113.20	$ 33.20	41.50%
1,000	82.80	117.88	$ 35.08	42.37%
2,000	85.60	122.57	$ 36.97	43.18%
3,000	88.40	127.25	$ 38.85	43.95%
4,000	91.20	131.93	$ 40.73	44.66%
5,000	94.00	136.61	$ 42.61	45.33%
6,000	96.80	141.30	$ 44.50	45.97%
7,000	99.60	145.98	$ 46.38	46.57%
8,000	102.40	150.66	$ 48.26	47.13%
9,000	105.20	155.35	$ 50.15	47.67%
10,000	108.00	160.03	$ 52.03	48.17%
12,000	113.60	169.39	$ 55.79	49.11%
14,000	119.20	178.76	$ 59.56	49.97%
16,000	124.80	188.13	$ 63.33	50.74%
18,000	130.40	197.49	$ 67.09	51.45%
20,000	136.00	206.86	$ 70.86	52.10%
25,000	150.00	230.27	$ 80.27	53.51%
30,000	164.00	253.68	$ 89.68	54.69%
35,000	178.00	277.10	$ 99.10	55.67%
40,000	192.00	300.51	$ 108.51	56.52%
45,000	206.00	323.93	$ 117.93	57.25%
50,000	220.00	347.34	$ 127.34	57.88%
60,000	248.00	401.87	$ 153.87	62.04%
70,000	276.00	459.70	$ 183.70	66.56%
80,000	304.00	517.53	$ 213.53	70.24%
90,000	332.00	575.35	$ 243.35	73.30%
100,000	360.00	633.18	$ 273.18	75.88%
Average Usage				
105,846	$ 376.37	$ 666.99	$ 290.62	77.22%
Median Usage				
26,000	$ 152.80	$ 234.95	$ 82.15	53.77%

Present Rates:

Monthly Minimum:		$ 80.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 113.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	53,000	$ 4.68
Over	53,000	$ 5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 3 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
Page 18
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 150.00	$ 212.25	$ 62.25	41.50%
1,000	152.80	216.93	$ 64.13	41.97%
2,000	155.60	221.62	$ 66.02	42.43%
3,000	158.40	226.30	$ 67.90	42.87%
4,000	161.20	230.98	$ 69.78	43.29%
5,000	164.00	235.66	$ 71.66	43.70%
6,000	166.80	240.35	$ 73.55	44.09%
7,000	169.60	245.03	$ 75.43	44.48%
8,000	172.40	249.71	$ 77.31	44.84%
9,000	175.20	254.40	$ 79.20	45.20%
10,000	178.00	259.08	$ 81.08	45.55%
12,000	183.60	268.44	$ 84.84	46.21%
14,000	189.20	277.81	$ 88.61	46.83%
16,000	194.80	287.18	$ 92.38	47.42%
18,000	200.40	296.54	$ 96.14	47.97%
20,000	206.00	305.91	$ 99.91	48.50%
25,000	220.00	329.32	$ 109.32	49.69%
30,000	234.00	352.73	$ 118.73	50.74%
35,000	248.00	376.15	$ 128.15	51.67%
40,000	262.00	399.56	$ 137.56	52.50%
45,000	276.00	422.98	$ 146.98	53.25%
50,000	290.00	446.39	$ 156.39	53.93%
60,000	318.00	493.22	$ 175.22	55.10%
70,000	346.00	540.05	$ 194.05	56.08%
80,000	374.00	586.88	$ 212.88	56.92%
90,000	402.00	633.70	$ 231.70	57.64%
100,000	430.00	680.53	$ 250.53	58.26%
Average Usage				
-	$ 150.00	$ 212.25	$ 62.25	41.50%
Median Usage				
-	$ 150.00	$ 212.25	$ 62.25	41.50%

Present Rates:

Monthly Minimum:		$ 150.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 212.25
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	100,000	$ 4.68
Over	100,000	$ 5.78

Quail Creek Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 4 Inch Irrigation
Test Year Ended December 31, 2013

Exhibit
Schedule H-4
Page 19
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 250.00	$ 353.75	$ 103.75	41.50%
1,000	252.80	358.43	$ 105.63	41.79%
2,000	255.60	363.12	$ 107.52	42.06%
3,000	258.40	367.80	$ 109.40	42.34%
4,000	261.20	372.48	$ 111.28	42.60%
5,000	264.00	377.16	$ 113.16	42.87%
6,000	266.80	381.85	$ 115.05	43.12%
7,000	269.60	386.53	$ 116.93	43.37%
8,000	272.40	391.21	$ 118.81	43.62%
9,000	275.20	395.90	$ 120.70	43.86%
10,000	278.00	400.58	$ 122.58	44.09%
12,000	283.60	409.94	$ 126.34	44.55%
14,000	289.20	419.31	$ 130.11	44.99%
16,000	294.80	428.68	$ 133.88	45.41%
18,000	300.40	438.04	$ 137.64	45.82%
20,000	306.00	447.41	$ 141.41	46.21%
25,000	320.00	470.82	$ 150.82	47.13%
30,000	334.00	494.23	$ 160.23	47.97%
35,000	348.00	517.65	$ 169.65	48.75%
40,000	362.00	541.06	$ 179.06	49.46%
45,000	376.00	564.48	$ 188.48	50.13%
50,000	390.00	587.89	$ 197.89	50.74%
60,000	418.00	634.72	$ 216.72	51.85%
70,000	446.00	681.55	$ 235.55	52.81%
80,000	474.00	728.38	$ 254.38	53.67%
90,000	502.00	775.20	$ 273.20	54.42%
100,000	530.00	822.03	$ 292.03	55.10%
Average Usage				
111,709	$ 562.78	$ 876.86	$ 314.08	55.81%
Median Usage				
80,000	$ 474.00	$ 728.38	$ 254.38	53.67%

Present Rates:

Monthly Minimum:		$ 250.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons over Min.		$ 2.80

Proposed Rates:

Monthly Minimum:		$ 353.75
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	167,000	$ 4.68
Over	167,000	$ 5.78

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Residential 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
-	-	5	7	7	5	9	6	6	6	9	6	3	10	79	79	-
1	1,000	61	67	68	55	68	110	93	105	87	98	66	68	946	1,025	473
1,001	2,000	99	112	113	99	136	170	153	178	131	154	110	124	1,579	2,604	2,843
2,001	3,000	177	185	196	149	154	183	162	179	170	202	186	233	2,176	4,780	8,284
3,001	4,000	271	304	300	184	208	223	177	201	194	246	258	306	2,872	7,652	18,337
4,001	5,000	286	350	312	254	204	196	187	222	186	240	268	331	3,036	10,688	32,001
5,001	6,000	261	244	253	250	217	169	207	195	232	204	253	212	2,697	13,385	46,836
6,001	7,000	172	174	164	189	159	157	159	158	168	162	162	155	1,979	15,364	59,700
7,001	8,000	125	91	114	145	130	119	143	116	142	129	138	109	1,501	16,865	70,958
8,001	9,000	89	73	79	116	109	98	97	89	90	95	104	82	1,121	17,986	80,487
9,001	10,000	60	38	47	82	84	67	76	71	83	51	75	45	779	18,765	87,888
10,001	12,000	63	43	52	103	113	99	112	115	118	78	71	53	1,020	19,785	99,109
12,001	14,000	34	20	23	52	67	64	70	46	64	50	32	24	546	20,331	106,207
14,001	16,000	14	10	11	37	44	33	29	27	33	18	14	12	282	20,613	110,437
16,001	18,000	11	6	7	14	21	20	27	29	18	9	11	8	181	20,794	113,514
18,001	20,000	2	4	1	12	18	12	20	9	12	7	7	3	107	20,901	115,547
20,001	25,000	2	5	-	5	6	22	24	11	12	7	11	7	112	21,013	118,067
25,001	30,000	2	4	-	2	7	5	5	2	1	3	2	-	33	21,046	118,975
30,001	35,000	-	1	1	1	-	-	6	1	1	2	-	1	14	21,060	119,430
35,001	40,000	1	-	-	-	-	2	-	-	2	1	-	-	6	21,066	119,655
40,001	45,000	-	-	-	-	-	2	1	1	-	2	-	-	6	21,072	119,910
45,001	50,000	-	2	-	-	-	-	1	1	-	-	-	-	4	21,076	120,100
50,001	60,000	1	1	-	-	-	1	2	-	-	-	-	-	5	21,081	120,375
60,001	70,000	-	-	-	-	1	-	1	-	-	-	1	-	3	21,084	120,570
70,001	80,000	-	-	-	-	-	-	-	1	-	1	-	-	2	21,086	120,720
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21,086	120,720
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21,086	120,720
	-	-	-	-	-	-	-	-	-	-	-	-	1	1	21,087	120,720
	-													-	21,087	120,720
	-													-	21,087	120,720
	-													-	21,087	120,720
	-													-	21,087	120,720
	-													-	21,087	120,720
	-													-	21,087	
Totals		1,736	1,741	1,748	1,754	1,755	1,758	1,758	1,763	1,753	1,765	1,772	1,784	21,087		

Average Usage	5,725
Median Usage	4,500
Average # Customers	1,757
Change in Number of Customers	48

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Residential 3/4 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-		

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	2	2	1	2	1	3	2	2	1	1	-	2	19	19	-
1	1,000	2	4	7	4	15	12	12	12	11	9	5	6	99	118	50
1,001	2,000	6	9	7	6	7	11	11	14	13	16	12	10	122	240	233
2,001	3,000	13	13	19	7	13	10	8	15	13	13	14	21	159	399	630
3,001	4,000	23	29	17	10	12	15	15	16	13	21	24	23	218	617	1,393
4,001	5,000	18	15	20	19	14	13	14	12	19	19	17	19	199	816	2,289
5,001	6,000	10	15	15	19	12	12	17	10	8	9	14	11	152	968	3,125
6,001	7,000	19	10	12	12	12	10	6	11	12	6	10	8	128	1,096	3,957
7,001	8,000	10	9	5	10	9	6	9	9	5	6	7	7	92	1,188	4,647
8,001	9,000	2	6	8	7	7	8	6	6	3	5	7	5	70	1,258	5,242
9,001	10,000	6	4	8	4	6	6	4	2	6	8	1	4	59	1,317	5,803
10,001	12,000	8	7	4	10	5	6	8	7	9	4	5	6	79	1,396	6,672
12,001	14,000	5	2	2	9	8	6	6	6	5	6	7	1	63	1,459	7,491
14,001	16,000	-	1	1	2	4	3	2	4	5	2	2	3	29	1,488	7,926
16,001	18,000	-	-	-	3	2	5	4	-	2	1	3	-	20	1,508	8,266
18,001	20,000	-	2	-	1	1	1	2	-	2	1	1	3	14	1,522	8,532
20,001	25,000	-	-	1	-	1	3	2	1	2	1	-	1	12	1,534	8,802
25,001	30,000	2	1	1	2	1	-	1	2	-	1	-	-	11	1,545	9,104
30,001	35,000	-	-	-	1	-	1	1	-	-	-	-	-	3	1,548	9,202
35,001	40,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,549	9,239
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,549	9,239
	-													-	1,549	9,239
	-													-	1,549	9,239
	-													-	1,549	9,239
	-													-	1,549	9,239
	-													-	1,549	9,239
	-													-	1,549	9,239
Totals		126	129	128	128	130	131	130	129	129	129	130	130	1,549	1,549	9,239

Average Usage	5,965
Median Usage	4,500
Average # Customers	129
Change in Number of Customers	4

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Residential 1.5 Inch Meter

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
														-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	0

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Residential 2 Inch Meter

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1
7,001	8,000	-	-	1	-	-	-	-	-	-	-	-	-	1	2
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
10,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2
35,001	40,000	1	-	-	-	-	-	-	-	-	-	-	-	1	3
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3
50,001	60,000	-	-	-	1	1	-	-	-	-	-	-	-	2	5
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	1	1	6
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6
80,001	90,000	-	-	-	-	-	1	-	-	-	-	1	-	2	8
90,001	100,000	-	-	-	-	-	-	-	1	-	-	-	-	1	9
129,500	129,500	-	-	-	-	-	-	1	-	-	-	-	-	1	10
150,000	150,000	-	-	-	-	-	-	-	-	1	-	-	-	1	11
114,900	114,900	-	-	-	-	-	-	-	-	-	1	-	-	1	12
	-													-	12
	-													-	12
	-													-	12
	-													-	12
	-													-	12
	-													-	12
	-													-	12
	-													-	12
															12
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12	

Average Usage	73,325
Median Usage	70,000
Average # Customers	1
Change in Number of Customers	0

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Commercial 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing
-	-	1	1	1	1	3	2	1	5	1	3	3	1	23	23
1	1,000	9	13	14	8	6	12	-	7	11	13	14	11	118	141
1,001	2,000	15	16	10	11	13	7	5	13	10	13	15	13	141	282
2,001	3,000	7	4	6	7	4	7	6	8	9	9	8	11	86	368
3,001	4,000	6	5	9	6	4	1	4	2	6	8	6	7	64	432
4,001	5,000	4	3	2	4	4	3	4	3	3	-	-	3	33	465
5,001	6,000	3	1	-	1	2	2	1	3	3	2	2	1	21	486
6,001	7,000	3	1	1	1	1	2	3	4	2	-	1	1	20	506
7,001	8,000	1	2	1	1	1	-	2	2	4	3	1	1	19	525
8,001	9,000	-	-	-	-	2	1	1	1	-	2	5	1	13	538
9,001	10,000	-	2	-	-	-	4	1	-	-	1	2	1	11	549
10,001	12,000	-	-	-	2	2	3	4	4	5	3	-	1	24	573
12,001	14,000	-	-	-	-	1	1	-	2	3	-	-	1	8	581
14,001	16,000	-	-	-	-	1	3	2	1	-	1	1	1	10	591
16,001	18,000	-	-	-	-	1	2	3	2	1	-	-	1	10	601
18,001	20,000	-	-	-	-	-	1	-	1	-	1	1	1	5	606
20,001	25,000	1	-	-	-	1	-	-	-	2	1	-	-	5	611
25,001	30,000	-	-	-	-	-	-	1	-	1	1	1	-	4	615
30,001	35,000	-	1	1	-	1	1	2	-	-	-	2	1	9	624
35,001	40,000	1	1	-	-	-	-	-	-	-	-	-	-	2	626
40,001	45,000	-	-	-	-	-	-	1	-	-	-	-	-	1	627
45,001	50,000	-	-	-	2	-	-	-	-	-	-	-	-	2	629
50,001	60,000	1	-	1	-	-	-	-	1	-	-	-	-	3	632
60,001	70,000	-	-	-	1	-	-	1	-	-	1	-	-	3	635
70,001	80,000	-	1	1	-	1	1	-	-	-	-	-	-	4	639
80,001	90,000	-	-	-	-	-	-	-	-	1	-	-	-	1	640
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	640
	-													-	640
	-													-	640
	-													-	640
	-													-	640
	-													-	640
	-													-	640
Totals		52	51	47	45	48	53	42	59	62	62	62	57	640	

Average Usage	5,808
Median Usage	2,500
Average # Customers	53
Change in Number of Customers	5

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Commercial 3/4 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-		

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification — Commercial 1 Inch Meter

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	1	1	-	-	-	2	2	-
1	1,000	-	-	1	-	-	-	2	1	3	2	1	-	10	12	5
1,001	2,000	2	1	2	-	2	2	1	1	1	1	1	3	17	29	31
2,001	3,000	-	-	-	2	-	1	-	-	-	1	1	2	7	36	48
3,001	4,000	-	-	1	-	-	-	-	-	-	-	1	2	4	40	62
4,001	5,000	-	1	-	1	-	-	-	-	-	-	-	-	2	42	71
5,001	6,000	1	1	-	-	-	-	-	1	-	-	-	-	3	45	88
6,001	7,000	1	-	1	-	-	-	-	-	-	1	1	-	4	49	114
7,001	8,000	-	2	-	1	1	1	2	1	-	1	1	-	10	59	189
8,001	9,000	1	-	-	-	1	-	-	1	1	1	1	-	6	65	240
9,001	10,000	-	-	1	-	-	1	1	1	-	-	-	-	4	69	278
10,001	12,000	-	-	-	-	-	-	-	-	1	-	-	-	1	70	289
12,001	14,000	-	-	-	1	-	-	-	-	-	-	-	-	1	71	302
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	302
16,001	18,000	-	-	-	-	1	-	-	-	-	-	-	-	1	72	319
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	319
20,001	25,000	-	-	-	-	-	-	-	-	-	1	-	1	2	74	364
25,001	30,000	-	-	-	-	-	1	-	-	-	-	-	-	1	75	391
30,001	35,000	-	-	-	-	-	-	1	1	-	-	1	-	3	78	489
35,001	40,000	-	-	-	-	-	-	-	-	1	-	-	-	1	79	526
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	79	526
124,750	124,750	1	-	-	-	-	-	-	-	-	-	-	-	1	80	651
109,340	109,340	-	1	-	-	-	-	-	-	-	-	-	-	1	81	760
139,950	139,950	-	-	1	-	-	-	-	-	-	-	-	-	1	82	900
190,800	190,800	-	-	-	1	-	-	-	-	-	-	-	-	1	83	1,091
196,420	196,420	-	-	-	-	1	-	-	-	-	-	-	-	1	84	1,287
320,200	320,200	-	-	-	-	-	1	-	-	-	-	-	-	1	85	1,607
378,070	378,070	-	-	-	-	-	-	1	-	-	-	-	-	1	86	1,986
202,250	202,250	-	-	-	-	-	-	-	1	-	-	-	-	1	87	2,188
414,860	414,860	-	-	-	-	-	-	-	-	1	-	-	-	1	88	2,603
192,830	192,830	-	-	-	-	-	-	-	-	-	1	-	-	1	89	2,796
362,580	362,580	-	-	-	-	-	-	-	-	-	-	1	-	1	90	3,158
-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	91	3,158
	-													-	91	3,158
																3,158
Totals		6	6	7	6	6	7	8	9	9	9	9	9	91		

Average Usage	34,704
Median Usage	6,500
Average # Customers	8
Change in Number of Customers	3

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Commercial 1 1/2 Inch Meter

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
-	-	2	2	2	2	1	1	1	2	2	2	1	1	19	19	-
1	1,000	-	-	-	-	1	-	-	-	-	-	-	-	1	20	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	1
2,001	3,000	-	-	-	-	1	-	-	-	-	-	-	-	1	21	3
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
10,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	3
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	1	1	22	31
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	31
35,001	40,000	-	1	-	-	-	-	-	-	-	-	-	-	1	23	68
40,001	45,000	-	-	-	-	-	1	-	-	-	-	-	-	1	24	111
45,001	50,000	-	-	-	-	-	-	-	-	-	-	1	-	1	25	158
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	158
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	158
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	158
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	158
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	158
115,500	115,500	1	-	-	-	-	-	-	-	-	-	-	-	1	26	274
100,700	100,700	-	-	1	-	-	-	-	-	-	-	-	-	1	27	374
324,000	324,000	-	-	-	1	-	-	-	-	-	-	-	-	1	28	698
445,200	445,200	-	-	-	-	-	1	-	-	-	-	-	-	1	29	1,143
118,200	118,200	-	-	-	-	-	-	1	-	-	-	-	-	1	30	1,262
333,700	333,700	-	-	-	-	-	-	1	-	-	-	-	-	1	31	1,595
359,800	359,800	-	-	-	-	-	-	-	1	-	-	-	-	1	32	1,955
191,200	191,200	-	-	-	-	-	-	-	-	1	-	-	-	1	33	2,146
186,500	186,500	-	-	-	-	-	-	-	-	-	1	-	-	1	34	2,333
346,000	346,000	-	-	-	-	-	-	-	-	-	-	1	-	1	35	2,679
229,200	229,200	-	-	-	-	-	-	-	-	-	-	-	1	1	36	2,908
	-													-	36	2,908
	-													-	36	2,908
Totals		3	3	3	3	3	3	3	3	3	3	3	3	36		

Average Usage	80,778
Median Usage	-
Average # Customers	3
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	1	1	1	1	1	1	1	1	1	1	1	1	12	12	-
1	1,000	-	-	-	-	-	-	-	1	-	-	-	-	1	13	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	1	1	14	3
3,001	4,000	1	1	1	-	1	1	1	-	1	2	1	-	10	24	38
4,001	5,000	-	-	-	1	-	-	-	-	-	-	-	-	1	25	43
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	43
6,001	7,000	1	-	1	-	-	-	-	-	-	-	-	1	3	28	62
7,001	8,000	-	-	-	-	-	-	1	1	-	1	-	-	3	31	85
8,001	9,000	-	1	-	-	-	-	-	-	-	-	-	1	2	33	102
9,001	10,000	1	-	-	1	-	1	-	1	-	-	-	-	4	37	140
10,001	12,000	-	1	-	-	-	-	1	-	2	-	1	-	5	42	195
12,001	14,000	-	-	-	1	2	-	-	-	-	-	-	-	3	45	234
14,001	16,000	-	-	-	-	-	1	-	-	-	-	1	-	2	47	264
16,001	18,000	-	-	1	-	-	-	-	-	-	-	-	-	1	48	281
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	281
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	281
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	281
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	1	1	49	313
35,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	313
40,001	45,000	-	-	-	-	1	1	-	-	-	1	-	-	3	52	441
45,001	50,000	-	1	-	-	-	-	-	1	-	-	-	-	2	54	536
50,001	60,000	1	-	1	1	-	-	-	1	2	-	1	1	8	62	976
60,001	70,000	-	-	-	-	-	1	2	-	-	1	-	-	4	66	1,236
70,001	80,000	1	1	2	1	-	-	1	-	-	-	-	1	7	73	1,761
80,001	90,000	1	-	-	-	2	-	-	1	1	1	-	1	7	80	2,356
90,001	100,000	-	1	-	-	-	-	-	-	-	-	-	-	1	81	2,451
120,900	120,900	1	-	-	-	-	-	-	-	-	-	-	-	1	82	2,571
162,300	162,300	1	-	-	-	-	-	-	-	-	-	-	-	1	83	2,734
102,800	102,800	-	1	-	-	-	-	-	-	-	-	-	-	1	84	2,837
195,900	195,900	-	1	-	-	-	-	-	-	-	-	-	-	1	85	3,032
122,600	122,600	-	-	1	-	-	-	-	-	-	-	-	-	1	86	3,155
141,300	141,300	-	-	1	-	-	-	-	-	-	-	-	-	1	87	3,296
104,500	104,500	-	-	-	1	-	-	-	-	-	-	-	-	1	88	3,401
202,600	202,600	-	-	-	1	-	-	-	-	-	-	-	-	1	89	3,603
241,600	241,600	-	-	-	1	-	-	-	-	-	-	-	-	1	90	3,845
219,700	219,700	-	-	-	-	1	-	-	-	-	-	-	-	1	91	4,065
276,200	276,200	-	-	-	-	1	-	-	-	-	-	-	-	1	92	4,341
218,900	218,900	-	-	-	-	-	1	-	-	-	-	-	-	1	93	4,560
318,200	318,200	-	-	-	-	-	1	-	-	-	-	-	-	1	94	4,878
462,900	462,900	-	-	-	-	-	1	-	-	-	-	-	-	1	95	5,341
355,300	355,300	-	-	-	-	-	-	1	-	-	-	-	-	1	96	5,696
261,100	261,100	-	-	-	-	-	-	-	1	-	-	-	-	1	97	5,957
180,700	180,700	-	-	-	-	-	-	-	-	1	-	-	-	1	98	6,138
392,300	392,300	-	-	-	-	-	-	-	-	-	1	-	-	1	99	6,530
112,600	112,600	-	-	-	-	-	-	-	-	-	-	1	-	1	100	6,643
166,700	166,700	-	-	-	-	-	-	-	-	-	-	1	-	1	101	6,810
332,300	332,300	-	-	-	-	-	-	-	-	-	-	1	-	1	102	7,142
-														-	102	7,142
-														-	102	7,142
Totals		9	9	9	9	9	9	8	8	8	8	8	8	102		

Average Usage	70,019
Median Usage	42,500
Average # Customers	9
Change in Number of Customers	(1)

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Commerical 3 Inch Meter

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
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	-													-	-	-
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	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification Commerical 6 Inch Meter

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-															
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
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	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 5/8x3/4 Inch Irrigation

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	3	2	3	2	4	4	5	5	8	5	5	4	50	50	-
1	1,000	1	1	1	1	1	2	1	2	1	2	1	2	16	66	8
1,001	2,000	1	-	-	-	-	-	-	-	-	-	-	-	1	67	10
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	10
3,001	4,000	-	-	-	-	-	-	-	1	1	1	1	1	5	72	27
4,001	5,000	-	-	-	-	-	-	1	1	-	-	-	-	2	74	36
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	36
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	36
7,001	8,000	1	2	2	-	1	1	-	-	-	-	-	1	8	82	96
8,001	9,000	-	1	-	2	2	-	1	-	-	1	1	-	8	90	164
9,001	10,000	-	-	1	-	1	-	-	1	-	-	-	-	3	93	193
10,001	12,000	1	-	-	1	-	1	1	-	1	1	-	-	6	99	259
12,001	14,000	-	-	-	1	-	-	-	-	-	-	-	-	1	100	272
14,001	16,000	1	-	-	-	-	-	-	-	-	-	-	-	1	101	287
16,001	18,000	-	-	-	1	-	-	-	-	-	-	-	-	1	102	304
18,001	20,000	-	-	1	-	2	-	-	-	-	1	-	-	4	106	380
20,001	25,000	-	-	1	1	-	-	1	1	1	-	1	1	7	113	537
25,001	30,000	-	1	-	1	-	1	-	-	-	-	-	-	3	116	620
30,001	35,000	-	-	-	-	-	-	-	-	-	-	1	-	1	117	652
35,001	40,000	-	-	-	1	-	-	-	1	1	-	-	-	3	120	765
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	1	1	121	807
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	121	807
50,001	60,000	-	1	-	-	-	-	-	-	-	-	-	-	1	122	862
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	862
70,001	80,000	-	1	-	-	-	-	-	-	-	-	-	1	2	124	1,012
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	124	1,012
90,001	100,000	-	-	-	-	-	-	-	-	-	-	2	-	2	126	1,202
171,500	171,500	-	-	-	-	-	1	-	-	-	-	-	-	1	127	1,374
513,700	513,700	-	-	-	-	-	-	1	-	-	-	-	-	1	128	1,887
732,920	732,920	-	-	-	-	-	-	-	-	-	1	-	-	1	129	2,620
155,400	155,400	1	-	-	-	-	-	-	-	-	-	-	-	1	130	2,776
182,000	182,000	-	-	-	-	-	-	-	1	-	-	-	-	1	131	2,958
-														-	131	2,958
Totals		9	9	9	11	11	10	11	13	13	12	12	11	131		

Average Usage	22,577
Median Usage	500
Average # Customers	11
Change in Number of Customers	2

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 3/4 Inch Irrigation

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-															
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 1 Inch Irrigation

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	2	2	2	2	1	1	2	2	1	2	1	2	20	20	-
1	1,000	-	-	-	-	1	1	-	-	1	-	-	-	3	23	2
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	2
2,001	3,000	-	-	1	-	-	-	-	-	-	-	-	-	1	24	4
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
10,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
35,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	4
50,001	60,000	-	-	-	-	-	-	-	1	1	1	1	1	5	29	279
60,001	70,000	-	-	-	-	1	1	1	-	-	-	-	-	3	32	474
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	474
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	474
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	474
129,150	129,150	-	-	-	1	-	-	-	-	-	-	-	-	1	33	603
	-													-	33	603
Totals		2	2	3	3	3	3	3	3	3	3	2	3	33		

Average Usage	18,277
Median Usage	-
Average # Customers	3
Change in Number of Customers	1

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 1.5 Inch Irrigation

Exhibit
Schedule H-5
Page 16
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	1	1	1	-	-	3	3	-
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
10,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
30,001	35,000	-	-	-	-	1	-	-	-	-	-	-	-	1	4	33
35,001	40,000	-	-	-	-	-	-	-	-	1	-	-	-	1	5	70
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	70
45,001	50,000	-	-	1	-	-	-	-	-	-	-	-	-	1	6	118
50,001	60,000	-	-	-	1	-	-	-	1	-	-	-	1	3	9	283
60,001	70,000	1	-	-	-	-	-	-	-	-	1	-	-	2	11	413
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	413
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	413
90,001	100,000	-	1	-	-	-	-	-	-	-	-	1	-	2	13	603
278,500	278,500	-	-	-	-	-	1	-	-	-	-	-	-	1	14	881
132,000	132,000	-	-	-	-	-	-	-	-	-	-	1	-	1	15	1,013
114,600	114,600	-	-	-	-	-	-	-	-	-	-	-	1	1	16	1,128
-	-													-	16	1,128
-	-													-	16	1,128
Totals		1	1	1	1	1	1	-	2	2	2	2	2	16		

Average Usage	70,475
Median Usage	55,000
Average # Customers	1
Change in Number of Customers	1

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 2 Inch Irrigation

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
-	-	1	1	1	1	1	1	-	-	-	-	-	-	6	6	-
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	-
2,001	3,000	-	-	-	1	1	1	-	-	-	-	-	-	3	9	8
3,001	4,000	-	-	1	-	-	-	-	-	-	-	-	-	1	10	11
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	11
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	11
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	11
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	11
8,001	9,000	-	1	-	-	-	-	1	-	-	-	-	-	2	12	28
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
10,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
35,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	28
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	1	1	13	71
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	71
60,001	70,000	1	-	-	-	-	-	-	-	-	-	-	-	-	13	71
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	1	14	136
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	136
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	136
240,800	240,800	-	-	-	-	-	-	-	-	-	-	-	-	-	14	136
109,500	109,500	-	-	-	-	-	-	1	-	-	-	-	-	1	15	376
298,900	298,900	-	-	-	-	-	-	-	1	-	-	-	-	1	16	486
291,200	291,200	-	-	-	-	-	-	-	1	-	-	-	-	1	17	785
397,300	397,300	-	-	-	-	-	-	-	-	1	-	-	-	1	18	1,076
222,200	222,200	-	-	-	-	-	-	-	-	1	-	-	-	1	19	1,473
236,100	236,100	-	-	-	-	-	-	-	-	-	1	-	-	1	20	1,695
138,000	138,000	-	-	-	-	-	-	-	-	-	1	-	-	1	21	1,932
291,900	291,900	-	-	-	-	-	-	-	-	-	-	1	-	1	22	2,070
178,900	178,900	-	-	-	-	-	-	-	-	-	-	1	-	1	23	2,361
	-											-	1	1	24	2,540
	-													-	24	2,540
	-													-	24	2,540
	-													-	24	2,540
	-													-	24	2,540
	-													-	24	2,540
Totals		2	2	2	2	2	2	2	2	2	2	2	2	24	24	2,540

Average Usage	105,846
Median Usage	26,000
Average # Customers	2
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 3 Inch Irrigation

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1	1,000													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
	-													-	-	-
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-		

Average Usage	-
Median Usage	-
Average # Customers	-
Change in Number of Customers	-

Quail Creek Water Company
Test Year Ended December 31, 2013
Customer Classification 4 Inch Irrigation

Exhibit
Schedule H-5
Page 19
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
2,001	3,000	-	-	1	-	-	-	-	-	-	-	-	-	1	2	3
3,001	4,000	-	1	-	-	-	-	-	-	-	-	-	-	1	3	7
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	7
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	7
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	7
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	7
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	7
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	7
10,001	12,000	1	-	-	-	-	-	-	-	-	-	-	-	1	4	18
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
35,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
40,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	18
60,001	70,000	-	-	-	-	-	-	-	-	-	1	1	-	2	6	148
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	148
80,001	90,000	-	-	-	1	-	-	-	-	-	-	-	-	1	7	233
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	233
141,000	141,000	-	-	-	-	1	-	-	-	-	-	-	-	1	8	374
213,000	213,000	-	-	-	-	-	1	-	-	-	-	-	-	1	9	587
351,000	351,000	-	-	-	-	-	-	1	-	-	-	-	-	1	10	938
229,000	229,000	-	-	-	-	-	-	-	1	-	-	-	-	1	11	1,167
174,000	174,000	-	-	-	-	-	-	-	-	1	-	-	-	1	12	1,341
	-													-	12	1,341
	-													-	12	1,341
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Average Usage	111,709
Median Usage	80,000
Average # Customers	1
Change in Number of Customers	-

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Attorneys for Quail Creek Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF QUAIL CREEK WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02514A-14-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

COST OF CAPITAL

September 19, 2014

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I. INTRODUCTION AND QUALIFICATION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. ARE YOU THE SAME THOMAS J. BOURASSA THAT CONCURRENTLY FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A. Yes, and all of my background information and testimony regarding my qualifications are contained in that portion of my direct testimony.

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A. This portion of my direct testimony focuses on cost of capital issues. I will testify in support of Quail Creek Water Company, Inc.'s ("QCW" or "Company") proposed rate of return on its fair value rate base ("FVRB"). I am sponsoring the Company's D Schedules, which are attached to this testimony. There are 19 schedules and 2 exhibits that support my cost of capital testimony. As noted above, I am also sponsoring direct testimony that addresses the Company's rate base, income statement (revenue and operating expenses), required increase in revenue, and its rate design and proposed rates and charges for service. For convenience, that testimony and my related schedules are contained in separate volumes.

Q. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.

A. I have determined that the cost of equity for the publicly traded water utilities falls in the range of 9.8 percent to 10.3 percent with the midpoint of the range at

10.1 percent. After considering the differences in business and financial risk between QCW and the publicly traded water utilities, the cost of equity for QCW falls in the range of 9.7 percent to 10.2 percent with a mid-point of 10.0 percent. I am recommending a return on equity ("ROE") of 10.0 percent for QCW.

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR QCW?

A. The actual capital structure at the end of the test year (December 31, 2013) was 100 percent equity.

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?

A. The weighted cost of capital based upon a pro forma capital structure consisting of 0 percent debt and 100 percent equity and a cost of equity of 10.0 percent is 10.0 percent as shown on Schedule D-1.

Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE THE COST OF EQUITY FOR THE COMPANY.

A. The cost of equity for QCW cannot be estimated directly because the Company's equity is not in the form of a publicly traded security and thus there is no market data for QCW. Consequently, I applied market based models (Discounted Cash Flow ("DCF"), Risk Premium Model ("RPM"), Capital Asset Pricing Model ("CAPM"), and Modified CAPM ("MCAPM")) using data from a sample of water utilities selected from the Value Line Investment Survey. There are seven water utilities in my sample: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, SJW Corp., and York Water Company. As explained later in my testimony, these companies aren't really comparable to QCW, but they are water utilities with available market data and the Utilities Division Staff has relied on data for these water utilities in a number of recent water and sewer utility rate cases.

My DCF analyses indicate ROEs in the range of 9.4 percent to 9.6 percent with a midpoint of 9.5 percent. My RPM analysis indicates an ROE of 10.6 percent. My CAPM analyses, again using the same sample group, indicate that ROEs in the range of 9.5 percent to 11.4 percent are appropriate with a midpoint of 10.5 percent. All of the results on my market-based models are before consideration of the relative difference in risk (both business and financial) between the sample water companies and QCW.

My ROE estimates before consideration of the risk associated with an investment in QCW are in the range of 9.8 percent to 10.3 percent with a midpoint of 10.1 percent. My ROE estimates, after consideration of the business and financial risk associated with QCW compared to the water proxy group, are in the range of 9.7 percent to 10.2 percent with a midpoint of 10.0 percent. Given QCW's relatively small size compared to the larger publicly-traded utilities used in my sample, the regulatory methods and policies used in this jurisdiction, and difference in business and financial risk, it is my opinion that at the present time, a cost of equity of no less than 10.0 percent is warranted. A summary of my cost of equity analysis result is shown on Schedule D-4.1.

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

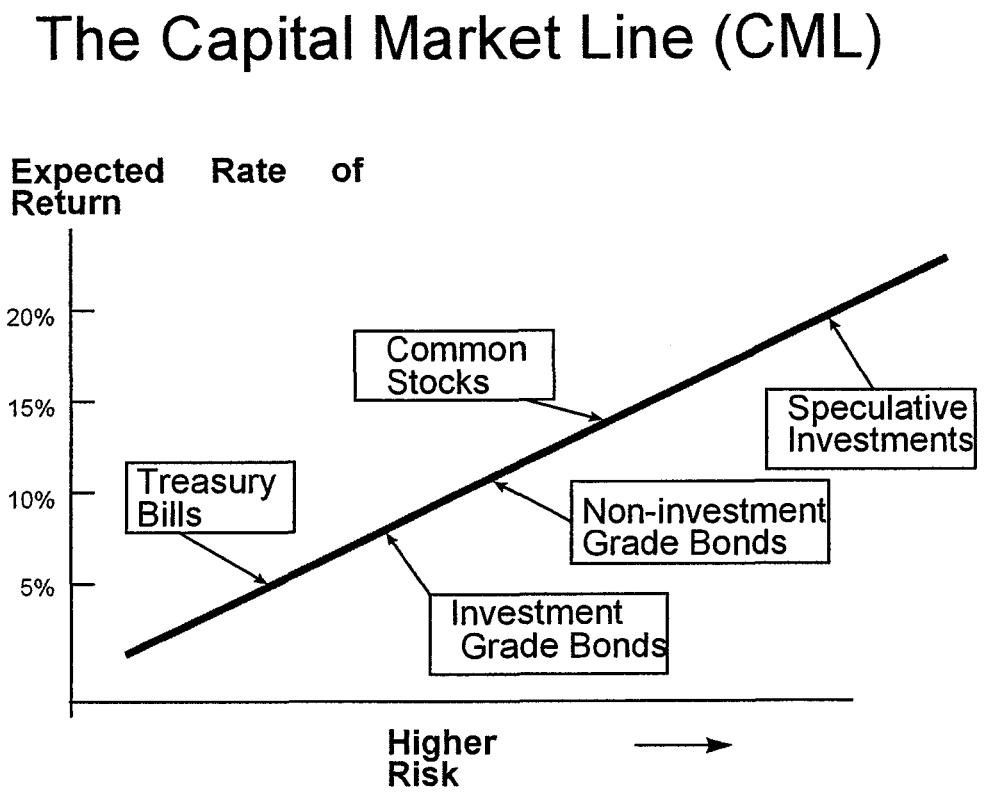
Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A. The cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose from numerous investment options, not simply publicly traded stock. Investments have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models that are used

to estimate the cost of equity rely on this basic concept.

Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases as you move upward and to the right along the CML. Again, the return required by investors increases with the risk.

Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As indicated by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate them for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum because they are exposed to more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation as well as market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment relative to others. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms. This means that these returns must be estimated from market data. Estimating the cost of equity capital should be a matter of informed

judgment about the relative risk of the investment in question and the expected rate of return characteristics of other alternative investments.

The estimation of a utility's cost of equity is complex. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long- and short-term) from banks and other financial institutions. In the capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors: (1) the pure or real rate of interest, often called the risk-free rate of interest; and (2) the uncertainty or risk premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to additional risk).

Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.

A. The pure rate of interest essentially reflects both the time preference for and the productivity of capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forgo present consumption and offer the funds thus saved to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without any risk do not exist. Every commitment of funds involves some degree of uncertainty.

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded as risk adverse and require that the rate of return increase as

the risk(s) (uncertainty) associated with an investment increase(s).

Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A. Yes. Conceptually,

[1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium

where the risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML above. As I will discuss later in this testimony, this concept is the basis of risk premium methods, such as the Capital Asset Pricing Model ("CAPM"), that are used to estimate the cost of equity.

Q. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS.

A. With reference to specific utilities, risk is often discussed as consisting of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. For utilities, business risk also includes the volatility of revenues due to abnormal weather conditions, degree of operational leverage, regulation, and regulatory climate. Regulation, for example, can compound the business risk if it is unpredictable in reacting to cost increases, both in terms of the time lag and magnitude for recovery of such increases.

Regulatory lag makes it difficult to earn a reasonable return, particularly in an inflationary environment and/or when there is significant lag between the timing of investment in capital projects and its recognition in rates. Put simply, the greater the degree of uncertainty regarding the various factors affecting a company's business, the greater the risk of an investment in that company and the greater the compensation required by the investor.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. As I discussed earlier, permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility in the common equity owners.

Q. WHAT ABOUT CONSTRUCTION RISK?

A. Construction risk, the risk of both tying your capital up in projects that are not earning returns, or of not having sufficient capital to build the assets you need to keep generating returns, is an important component of financial risk. If a company has a large construction budget relative to internally generated cash flows, it will require external financing. It is important that companies have access to capital funds on reasonable terms and conditions. Utilities are more susceptible to construction risk for two reasons. First, water utilities generally have high capital requirements to build plant to serve customers. Second, utilities have a mandated obligation to serve leaving less flexibility both in the timing and discretion of scheduling capital projects. This is compounded by the limited ability to wait for more favorable market conditions to raise the capital necessary to fund the capital

projects, and then the lag between when plant can be built and when rates can be approved to provide returns on and of that capital.

Although often discussed separately, the two types of risks (business and financial) are interrelated. Specifically, a common equity investor may seek to offset exposure to high financial risk by investing in a firm perceived to have a low degree of business risk. In other words, the total risk to an investor would be high if the enterprise was characterized as a high business risk with a large portion of its permanent capital financed with senior debt. To attract capital under these circumstances, the firm would have to offer higher rates of return to its common equity investors.

IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN

Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertakings which are attended by corresponding risks and uncertainties .... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

Then, in *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), the U.S. Supreme Court stated the following regarding the return to owners of a company:

> [T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

320 U.S. at 603.

In summary, under *Hope* and *Bluefield*:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

Q. HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A. Yes, but the application of the "reasonableness" criteria laid down by the Supreme Court has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity) used by the utility. Calculating the proportion that each class of capital bears to total capital does the weighting. However, there is no consensus regarding the best method of estimating the cost of equity capital. The increasing regulatory use of market-based finance models in equity return determination has not led to a universally accepted means of estimating the ROE. In addition, the market-based results are too often applied to a book-value investment base, which, as I will discuss,

understates the return expected by investors who invest in real markets based on market values.

V. THE ESTIMATED COST OF EQUITY FOR QCW

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity

Q. PLEASE DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR QCW.

A. Again, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves a determination of the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ various techniques that provide a link to actual capital market data and assist in defining the various relationships that underlie the equity cost estimation process.

Since QCW is not publicly traded, the information required to directly estimate its cost of equity is not available. Accordingly, as previously noted, I used a sample group of water utilities as a starting point to develop an appropriate cost of equity for QCW. An analysis of a proxy group serves as a starting point because no proxy group can be selected to be identical in risk to QCW. Therefore, the proxy group's results must be adjusted to reflect the unique relative risks, financial and business risks, of QCW, as I will discuss in detail below.

For the three models contained in my analysis, I use data from a sample of publicly traded water utilities, or proxy group, selected from the *Value Line Investment Survey* as a starting point in my analysis. There are seven water utilities in my sample: American States Water (AWR), Aqua America (WTR), California Water Company (CWT), Connecticut Water (CTWS), Middlesex Water (MSEX), SJW Corp. (SJW), and York Water Company (YORW).

The basis of selection for the proxy group of seven water companies was to select those companies which meet the following criteria: 1) they are included in the Water Company Group of AUS Utility Reports (August 2014); 2) they are followed by the *Value Line Investment Survey*; 3) they have at least ten years of historical financial and market information; 4) they have a *Value Line* adjusted beta; 5) they have not cut or omitted their common dividends during the five years ending 2013 or through the time of the preparation of this testimony; 6) they have 60 percent or greater of 2013 total net operating income derived from regulated water operations; and 7) which, at the time of the preparation of this testimony, had not publicly announced that they were involved in any major merger or acquisition activity.

Q. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO QCW?

A. No, but they are utilities for which market data is available. All of them are regulated, they primarily provide water service, although some provide both water and wastewater services, and their primary source of revenues is from regulated services. Therefore, they provide a useful starting point for developing a cost of equity for the Company recognizing that the proxy group is not perfectly comparable to QCW.

Q. BRIEFLY, WHY IS A COMPARABLE PROXY GROUP NECESSARY IN A COST OF CAPITAL ANALYSIS?

A. First, a fair rate of return for a specific utility is the return required by investors to hold correspondingly risky assets. Market data for a sample of comparable risk companies provides insight into the investors' required return and that satisfies the U.S. Supreme Court's decisions in *Bluefield* and *Hope* which I discussed earlier. The comparable earnings standard set forth in the *Hope* and *Bluefield* decisions

requires the rate of return afforded to utilities be similar to the return in businesses with similar or comparable risks. It follows that a proxy group of companies with comparable risk is the starting point in a cost of capital analysis.

Second, a primary objective of rate regulation is to determine an authorized ROE that is both fair to customers and provides satisfactory returns for QCW. The best estimate of that ROE is QCW's cost of equity. The cost of equity is a cost of service fairly recovered from customers through rates. It is also satisfactory to QCW because it is commensurate with returns an investor in QCW would expect to earn from investments of comparable risk. To estimate the cost of equity requires market data that reveal investors required returns. But, QCW is not publicly traded so there is no market information to determine the cost of equity. This necessitates the selection of a proxy group.

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE.

A. Schedule D-4.2 lists the percentages of regulated revenues, operating revenues, net plant, S&P bond ratings, allowed ROE's, *Value Line* betas, market capitalization, and market size category for the seven water utilities. Comparative data for QCW is also shown in Schedule D-4.2. The seven sample companies may be generally described as follows:

(1) American States Water (AWR) primarily serves the California market through Golden State Water Company, which provides water services to over 257,000 customers within 75 communities in 10 counties in the State of California, primarily in Los Angeles, San Bernardino, and Orange counties. AWR also owns an electric utility service provider with over 23,600 customers. AWR also provides contractual services to the U.S. government and private

entities located in 7 states through its subsidiary, American States Utility Services. Total operating revenues for AWR are over $472 million and net plant is over $972 million.

(2) Aqua America (WTR) owns regulated utilities in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana, and Virginia, serving nearly 900,000 customers. WTR's utility base is diversified among residential water, commercial water, fire protection, industrial water, other water, and wastewater customers. Total operating revenues for WTR are nearly $769 million and net plant is over $4.16 billion.

(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii serving nearly 502,000 customers. Operating revenues for CWT are over $584 million and net plant is nearly $1.5 billion.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut and Maine, Massachusetts and Rhode Island serving nearly 122,000 customers. Revenues for CTWS are over $89 million and net plant is nearly $462 million.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey, Delaware and Pennsylvania serving over 110,000 customers, and provides water service under contract to municipalities in central New Jersey serving a population of 219,000. Operating revenues for MSEX is over $114 million and net plant is nearly $447 million.

(6) SJW Corp. (SJW) owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities serving nearly 228,000 customers.

SJW also owns operations in Texas serving approximately 11,000 connections. Operating revenues for SJW are nearly $277 million and net plant is nearly $870 million.

(7) York Water Company (YORW) provides water service in the state of Pennsylvania serving over 64,000 customers in more than 47 communities. Operating revenues for YORW are over $42 million and net plant is over $244 million.

Again, it is pretty obvious that these utilities are very different than QCW.

Q. HOW DOES QCW COMPARE TO THE SAMPLE WATER UTILITIES?

A. It is much smaller with fewer customers, a relatively small and limited service territory, far less revenues and far less net plant. At the end of the test year, the Company had approximately 2,000 water customers. The larger publicly traded water companies have many times the customers as does QCW. QCW's revenues totaled approximately $0.83 million, and net plant-in-service was approximately $5.9 million. The average revenues of my water proxy group is nearly 404 times greater than QCW and has over 214 times the net plant than QCW. The smallest of the publicly traded water utilities in my proxy group (York Water Company) has nearly 53 times the revenues and over 42 times the net plant than QCW. So, the water proxy group utilities are much larger and according the empirical financial data less risky than QCW.

Q. DO RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY ARE IMPACT INVESTMENTS?

A. Yes. On the whole, the water utility industry is expected to continue to confront increasing need for infrastructure upgrades and replacement, as well as possible additional demand. *Value Line Investment Survey* (July 18, 2014) continues to stress that many utilities have facilities that are decades old and in need of

significant maintenance and, in some cases, massive renovation and replacement. As infrastructure costs continue to climb, many smaller companies are at a serious disadvantage. *Value Line* notes that most of the companies in this sector lack the finances necessary to fund improvements on their own. This will require water utilities in this sector to rely heavily upon debt and equity offerings for funding. The additional funding will thwart share-earnings and dilute shareholder gains. A copy of the most recent Value Line report on the water industry along with each water utility in my proxy group is attached as **Exhibit TJB-COC-DT1**. Along with the industry as a whole, QCW faces these risks

Q. WHAT OTHER RISK FACTORS DISTINGUISH QCW FROM THE LARGER SAMPLE OF WATER UTILITIES?

A. First, water utilities are capital intensive and typically have relatively large construction budgets. As I have previously discussed in this testimony, firms with large capital budgets face construction risk (a form of financial risk). The size of a utility's capital budget relative to the size of the utility itself often increases construction risk. Large utilities are more able to fund their capital budgets from their earnings, cash flows, and short-term borrowings. For smaller utilities, like QCW, the ability to fund relatively large capital budgets from earnings, cash flows, and short-term debt is difficult, if not impossible, without reliance upon additional outside capital. A comparison of the operating margins over the last 5 years shows that the water proxy group had an average operating margin of nearly 29 percent while QCW's operating margin was just over 21 percent.

Second, smaller companies are simply less able to cope with significant events that affect sales, revenues and earnings. In general, the loss of revenues from a few larger customers or from trends in the reduction of water use by customers through conservation or the makeup of the customer base, for example,

would have a greater effect on a small company than on a much larger company with a larger customer base. In addition, the effect of extreme weather conditions, i.e., prolonged droughts or extremely wet weather will have a greater affect upon a small operating water utility than upon the much larger, more geographically diverse holding companies.

Third, there are a number of other factors including the differences in regulatory environments, differences in the type of test year used for rate making, and differences in the available regulatory mechanisms for recovery of costs outside of a rate case. The large water utilities in my water proxy group are generally not subject to the adverse impacts of an unfavorable regulatory environment of one jurisdiction.

All these factors have an impact on the ability of a smaller utility to actually earn its authorized return and leads to a greater variability of earnings for QCW compared to the water proxy group, which means greater risk.

Q. ARE THERE QUANTITATIVE MEASURES THAT CAN BE USED TO HELP IDENTIFY DIFFERENCES IN BUSINESS RISK?

A. Yes. There are a number of fundamental accounting based risk measures that can be used to assess the relative differences between firms and include: 1) the co-efficient of variance of ROE; 2) the co-efficient of variance of operating income; 3) the co-efficient of variance of operating margin, and 4) operating leverage. The first three are a reflection of the distributions of earnings. These are meaningful when measured against the distribution of earnings of alternative investments, like the water utilities in my water proxy group.

The co-efficient of variance of ROE can be quantified using a relatively simple formula:

[2] Co-efficient of Variance of ROE = Standard Deviation of ROE/Mean of ROE

The co-efficient of variance of operating income can be quantified using a relatively simple formula:

[3] Co-efficient of Variance of Operating Income = Standard Deviation of Operating Income/Mean of Operating Income

The co-efficient of variance of operating margin can be quantified using a relatively simple formula:

[4] Co-efficient of Variance of Operating Margin = Standard Deviation of Operating Margin/Mean of Operating Margin

The Operating Leverage formula is expressed as:

[5] Operating Leverage = Percentage Change in Operating Income/ Percentage Change in Sales

Using the business risk measures expressed in equations [2], [3], and [4], the greater the co-efficient of variation or operating leverage, the greater the risk to investors of not receiving expected returns.[1] Below are the computed co-efficient of variation for ROE, Operating Income, and Operating Margin, as well as Operating Leverage using the most recent 5 years of historical data for my water proxy group and QCW:

Company	Business Risk Co-efficient of variance_of ROE	Business Risk Co-efficient of variance_of Operating Income	Business Risk Co-efficient of variance_of Operating Margin	Operating Leverage
Water Proxy Group	0.1029	0.1530	0.0836	0.79
QCW	0..4178	0.1852	0.2074	1.00
Relative Risk of QCW	4.06	1.21	2.48	1.28

[1] Tuller, Lawrence W., *The Small Business Valuation Book,* Adams Media Corporation, 1994, p. 89.

This shows that QCW is 1.2 to 4.0 times more risky than the water proxy group.

Q. CAN METRICS LIKE A COMPANY'S CO-EFFICIENT OF ROE, OPERATING INCOME, AND OPERATING MARGIN, BE USED ALONG WITH MARKET DATA TO DEVELOP COMPANY-SPECIFIC RISK PREMIUMS?

A. Yes. *Duff & Phelps* publishes comparative risk characteristics using market data that provides a nexus between a market beta and the metrics operating margin, the coefficient of variation in operating margin, and the coefficient of variation in return on equity.[2] This information can be used to develop an implied beta for QCW for use in the CAPM. By comparing the results of the CAPM for the water proxy group with the CAPM for QCW using the implied beta, an indicated risk premium for QCW can be developed. As one would expect, the implied beta for QCW is higher than the beta of my water proxy group and a risk premium of 100 to 120 basis points over the cost of equity of the water proxy group is indicated. I will discuss this method and the implied beta for QCW in more detail in the Company Specific Risk Premium section of my testimony.

Q. WHAT ABOUT LIQUIDITY RISK, MR. BOURASSA?

A. A rational investor would not regard an investment in QCW as having the same level of risk as WTR or even CTWS, because of the previously mentioned small size characteristics of QCW, and the fact that an investment in QCW is relatively illiquid compared to the publicly traded water utilities. An investor in a publicly traded stock can sell his/her stock in a very short period of time if he/she is dissatisfied with the returns. An investor in a non-publicly traded stock does not have the ability to sell quickly. Consequently, investors will require a greater risk

[2] *2014 Valuation Handbook, Guide to Cost of Capital*, Duff & Phelps, LLC., Exhibits D-1 through D-2.

premium, often called liquidity risk. As a consequence of these differences in risk, the results produced by the DCF, RPM, and CAPM methodologies, utilizing data for the sample utilities, often understate the appropriate return on equity for a small-regulated water utility provider such as QCW.

Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Yes. Generally speaking, when a firm engages in debt financing, it exposes itself to greater risk. Once debt becomes significant relative to the total capital structure, the risk increases in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity protection for debt falls. A decline in the protection afforded debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method.

For a firm already perceived as being over-leveraged, this additional borrowing would cause the marginal cost of both equity and debt to increase. On the other hand, if the same firm instead successfully employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

Q. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO QCW?

A. Schedule D-4.2 shows that the debt and equity capital structure used to develop the

cost of capital for QCW contains 100 percent equity and 0 percent debt, compared to the average of the water utility sample of approximately 55 percent equity and 45 percent debt. Having less debt in its capital structure implies that QCW has lower financial risk as the sample water utilities. I will explain why this implication is really no more than implication, however, unless one lives in a world where the only risk is a simple financial risk analysis – i.e., how much debt do the entity have? Places where size and liquidity risk don't really matter do not exist in real world economics.

B. Overview of the DCF, RPM, AND CAPM Methodologies

Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A. These two broad approaches:

1) identify comparable-risk sample companies and estimate the cost of capital directly, or,

2) find the location of the CML and estimate the relative risk of the company, which jointly determines the cost of capital.

The Discounted Cash Flow ("DCF") method is an example of a method falling into the first general approach. It is a direct method, but uses only a subset of the total capital market evidence. The DCF rests on the premise that the fundamental value of an asset (stock) is its ability to generate future cash flows to the owner of that asset (stock). I will explain the DCF in detail in a moment, but for now, the DCF is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are not.

The Risk Premium Model ("RPM") model and Capital Asset Pricing Model ("CAPM") are examples methods falling into the second general approach.

An equity risk premium is made first by determining the relationship between the cost of equity and an interest rate over time. To implement these approaches, generally, it is assumed that the past relationship will continue on into the future. The RPM generally uses a small subset of the capital market evidence whereas the CAPM uses information on all securities rather than a small subset. I will explain the RPM and CAPM in more detail later. For now, both the RPM and CAPM reflect a risk-return relationship, often depicted graphically as the CML. The RPM and CAPM cost of equity estimates are the sum of a risk-free return and a risk premium.

Each of these methods measures investor expectations. In the final analysis, ROE estimates are subjective and should be based on sound, informed judgment rationally articulated and supported by competent evidence. I have applied three versions of the DCF, one version of the RPM, and two versions of the CAPM to "bracket" the fair cost of equity capital for the publicly traded water utilities in my proxy group. I then add 50 basis points to results of the models for the water proxy group to account for the differences in risk between the water proxy group and QCW.

C. Explanation of the DCF Model and Its Inputs

Q. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model is an attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. It rests on the assumption that investors rely on the expected returns (i.e., cash flow they expect to receive) to set the price of a security. The DCF

model in its most general form is:

[6] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + ... + CF_n/(1+k)^n$

where k is the cost of equity; n is a very large number; P_0 is the current stock price; and, CF_1, CF_2,...CF_n are all the expected future cash flows expected to be received in periods 1, 2, ... n.

Equation [6] can be written to show that the current price (P_0) is also equal to

[7] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + ... + P_t/(1+k)^t$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or capital gain), the price the investor would pay today (in anticipation of receiving that premium) would increase. In other words, by estimating the cash flows from the purchase of a stock in the form of dividends and capital gains, we can calculate the investor's required rate of return, i.e., the rate of return an investor presumptively used in bidding the current price to the stock (P_0) to its current level.

Equation [7] is a Market Price version of the DCF model. As with the general form of the DCF model in equation [6], in the Market Price approach the current stock price (P_0) is the present value of the expected cash inflows. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price (P_t).

Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is

5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his capital by purchasing the stock.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A. Under the assumption that future cash flow is expected to grow at a constant rate ("g"), equation [6] can be solved for k and rearranged into the simple form:

[8] $k = CF_1/P_0 + g$

where CF_1/P_0 is the expected dividend yield and g is the expected long-term dividend (price) growth rate ("g"). The expected dividend yield is computed as the ratio of next period's expected dividend ("CF_1") divided by the current stock price ("P_0").

This form of the DCF model is known as the constant growth DCF model and recognizes that investors expect to receive a portion of their total return in the form of current dividends and the remainder through future dividends and capital (price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. But, this has not been historically true for the water utility sample, as shown by the data in Schedule D-4.4 and Schedule D-4.5. As a result, estimates of long-term growth rates (g) should take this into account.

Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A. There are a number of reasons why caution must be used when applying the DCF model to utility stocks. First, a non-publicly traded company does not have a stock market price. Using the stock prices from a proxy group assumes that QCW's stock would be similarly priced and have similar dividend yields as the publicly traded water companies. Second, the stock price and dividend yield components may be unduly influenced by structural changes in the industry, such as mergers and acquisitions, which influence investor expectations. Third, the DCF model is based on a number of assumptions that may not be realistic given the current capital market environment. The traditional DCF model assumes that the stock price, book value, dividends, and earnings all grow at the same rate. This has not been historically true for the sample water utility companies.

Fourth, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations only when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that the market-derived return produced by the DCF is often applied to book value rate base by regulators.

Fifth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be downward biased as a result of the impact of anemic historical growth rates in earnings, mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even abnormal weather patterns. Further, by placing too much emphasis on the past, the estimation of future growth becomes circular.

Q. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

A. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g). I used the spot price for each of the stocks of the water utilities in the sample group on as reported by the *Value Line Investment Analyzer* for June 13, 2014 for P_0. The current dividend (CF_0) is the current indicated dividend as reported by Value Line. In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the expected dividend yield in the schedules.

Q. DO YOU HAVE ANY CONCERNS REGARDING THE YIELDS ON WATER STOCK?

A. Yes. As noted by the *Value Line* Investment Survey for the Water Utility Industry (July 18, 2014), "Investors appear to be focusing almost exclusively on current income and overlooking risk. This has effected water utilities in that the yield spread between high- and low-quality stocks is now very compressed."

Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A. I have used two estimates of growth; one based on an average of historical and forecast growth and the other based only on forecast growth. For my average historical and forecast growth estimate, I average the 5-year historical average growth rates in the stock price, book value per share ("BVPS"), earnings per share ("EPS") and dividends per share ("DPS") with *Value Line's* forecast of EPS growth.[3] Using the historical average of growth in price, BVPS, EPS, and DPS is

[3] *See* Schedule D-4.4.

reasonable because investors know that, in equilibrium, common stock prices, BVPS, EPS and DPS will all grow at the same rate and would take information about changes in stock prices and growth in BVPS into account when they price utilities' stocks. As I stated earlier, a basic assumption of the DCF model is that the stock price, BVPS, EPS and DPS all grow at the same rate. For my forecast growth estimate, I have used the growth forecasts from *Value Line.*[4]

Q. WHY DID YOU INCORPORATE A HISTORICAL GROWTH RATE ESTIMATE INTO ONE OF YOUR GROWTH ESTIMATES?

A. Past growth rates may provide a reasonable basis for determining prospective growth rates. Their use assumes the past is a reflection of the future. While I believe the use of historical growth rates gives added recognition to the past, which is already incorporated into analyst estimates of growth, I nevertheless include a version of the DCF that reflects historical growth. I would point out, however, that historical growth rates may not be the best measure for the future. The empirical evidence indicates that analyst estimates of growth are the best measure of growth for use in the DCF for utility stocks.[5]

Q. WHY DID YOU USE FORECASTED GROWTH RATES IN YOUR GROWTH ESTIMATES?

A. The DCF model requires estimates of growth that investors expect in the future and not past estimates of growth that have already occurred. Accordingly, I use

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[4] *See* Schedule D-4.4.

[5] David A. Gordon, Myron J. Gordon and Lawrence I. Gould, *Choice Among Methods of Estimating Share Yield*, Journal of Portfolio Management (Spring 1989) 50-55. Gordon, Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for the next five years provides a more accurate estimate of growth required in the DCF model than three different historical measures of growth (historical EPS, historical DPS, and historical retention growth). They explain that this result makes sense because analysts would take into account such past growth as indicators of future growth as well as any new information.

analysts' forecasts of growth. Logically, in estimating future growth, financial institutions and analysts have taken into account all relevant historical information on a company as well as other more recent information.[6] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, a stock's current price reflects known historic information on that company, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

D. Explanation of the RPM and Its Inputs

Q. PLEASE EXPLAIN THE RPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. The RPM is sometimes referred to as the "bond yield plus risk premium method". The general approach is to determine the spread between the return on debt and the return on equity and add this spread to the current debt yield to derive an estimate of the cost of equity. To implement the RPM, it is assumed that the past relationship will continue into the future. The RPM is widely used by analysts and investors.[7]

The RPM formula provides a formal risk-return relationship and is stated as:

(6) $k = K_d +$ Historical bond-equity spread

where k is the expected return on equity and K_d is the current cost of debt or debt yield.

Q. HOW DID YOU DETERMINE THE HISTORICAL BOND-EQUITY SPREAD?

A. I computed the bond-equity spread as the difference between the average total

[6] Gordon, Gordon, and Gould.

[7] Morin, Roger A., *New Regulatory Finance*, Public Utility Reports, Inc. (2006) at 108.

realized market return of my water proxy group and the average annual long-term treasury yields for the years 1999-2013 - a 15-year historical period.[8]

Q. WHY DID YOU USE TOTAL REALIZED MARKET RETURNS?

A. Total realized market returns are market based which makes this approach a market based approach. While the annual actual risk premium in any given year may not equal the required risk premium, over longer periods of time, the average actual risk premiums can provide a good estimate of the average risk premium required.

Q. WHAT DO YOU USE AS THE CURRENT COST OF DEBT (K_d)?

A. I use the expected U.S. Long-term Treasury rate for 2016-2018 as the basis for the risk free rate. Since the cost of capital is an opportunity cost and is prospective, it necessarily requires the use of a forward-looking bond yield. In recent years, interest rates have dropped to very low levels when compared to interest rates for similar securities in the past. From 1999 to 2007, the annual average rates for long-term Treasury bonds was 5.24 percent ranging from a low of 4.84 percent in 2007 to a high of 5.94 in 2000. In 2008, and during the recent recession, that annual average dropped to 4.24 percent and dropped further in 2012 to 2.9 percent.

The drop in long-term treasury rates has been largely attributed to the market intervention by the Federal Reserve through its quantitative easing programs. Long-term Treasury rates increased in 2013 to 3.45 percent and are expected to increase further as the Federal Reserve tapers the bond-buying program expected to end sometime in 2015. Notwithstanding these current low rates, 30-year Treasury rates are expected to bounce back up in 2016-2018. Analysts at *Value Line* expect that future average to be 4.5 percent. The consensus estimate made by analysts surveyed by the *Blue Chip Financial Forecasts* indicates analysts

[8] *See* Schedule D-4.9.

expect that average to be higher at 4.7 percent. For my analyses, I have relied upon the average of *Value Line Quarterly Forecast* forecasts and the consensus forecast reported by *Blue Chip Financial Forecasts* of 4.6 percent.[9]

Q. WHY DO YOU USE LONG-TERM U.S. TREASURY YIELDS?

A. The yields on long-term Treasury bonds match more closely with the perpetual nature of common stock investments.[10] Further, short-term rates are more volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons and because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

E. <u>Explanation of the CAPM and Its Inputs</u>

Q. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. Like the RPM, the CAPM is the sum of a risk-free rate plus a risk premium. And, like the RPM, it quantifies the additional return required by investors for bearing incremental risk. The CAPM was developed by William Sharpe and John Lintner in the mid-1960's and is a common topic in college finance textbooks. The CAPM provides a formal risk-return relationship premised on the idea that only market risk matters, as measure by beta. The traditional version of CAPM is represented by the formula:

$$[9] \quad k = R_f + \beta(R_m - R_f)$$

where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the market return, $(R_m - R_f)$ is the market risk premium, and β is beta.

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[9] *See* Schedule D-4.8.

[10] Morin at 112.

Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE CAPM MODEL TO UTILITY STOCKS?

A. Yes. I have concerns with using this model in most periods because mechanical application of the model may produce unreasonable results. The traditional CAPM only captures a single measure of systematic risk as measured by beta, but there are other forms of systematic risk priced by the market such as company size. A size premium is necessary because, even after adjusting for the beta risk of small stocks, they generally outperform larger stocks. Size may just be a proxy for other risks. Nevertheless, the empirical evidence indicates that beta alone does not measure the risk of smaller companies.[11]

Q. ARE THERE ALTERNATIVES TO THE TRADITIONAL CAPM?

A. Yes, alternative versions of the CAPM have been developed that provide more robust explanations of returns required by investors. A version of the CAPM called the Empirical CAPM or ECAPM was developed to recognize that estimations of R_f is higher than the return on long-term Treasuries. Dr. Roger Morin discusses ECAPM at pages 189-191 of his book, New Regulatory Finance. The ECPAM is represented as follows:

$$[10] \quad k = R_f + .25(R_m - R_f) + .75\beta(R_m - R_f)$$

Duff & Phelps suggest a version of the CAPM in which a size premium is included.[12] This modified CAPM ("MCAPM") is represented as follows:

$$[11] \quad k = R_f + \beta(R_m - R_f) + RP_s$$

where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the market return, $(R_m - R_f)$ is the market risk premium, β is beta, and RP_s is the size premium. The MCAPM recognizes the CAPM is incomplete and does not fully

[11] *Duff & Phelps* at 2-5.

[12] *Duff & Phelps* at 2-7.

account for the higher returns that are needed on small company stocks. In other words, the higher risks associated with smaller firms are not fully accounted for by beta.[13]

Q. IS FIRM SIZE A UNIQUE RISK?

A. No. The firm size is a systematic risk factor and is an adjustment to the pure CAPM.[14] Putting aside the empirical financial data, the need for a risk premium for size makes sense. Company size is a significant element of business risk for which investors expect to be compensated through greater returns. Smaller companies are simply less able to cope with significant events that affect sales, revenues, and earnings. For example, smaller companies face more risk exposure to business cycles and economic conditions, both nationally and locally. Additionally, the loss of revenues from a few larger customers would have a greater effect on a small company than on a much larger company with a larger, more diverse, customer base. Moreover, smaller companies are generally less diverse in their operations and have less financial flexibility.

Q. DID YOU EMPLOY EITHER OF THESE ALTERNATIVE CAPM METHODS AS PART OF YOUR ANALYSIS?

A. No. Instead, I conducted a risk study to develop an indicated additional risk premium for QCW. Based on this study I add a risk premium to the results of each method I use (the DCF, RPM, and the CAPM) as an alternative way of dealing with additional risk associated with QCW. Having said that, these two methods would produce an indicated cost of equity for my water proxy group in the range of 10.6 percent to 11.4 percent with a mid-point of 11 percent, which is significantly

[13] *Morningstar, Ibbotson SBBI 2013 Valuation Yearbook,* pp. 85-88.

[14] Shannon P. Pratt and Roger J. Grabowski. *Cost of Capital: Applications and Examples, Fourth Edition.* John Wiley and Sons, 2010, p. 56.

greater than my overall estimate for my water proxy group of 10.1 percent.

Q. WHAT IS THE RISK-FREE RATE (R_f)?

A. It is the return on an investment with no risk. The U.S. Treasury rate serves as the basis for the risk-free rate because the yields are directly observable in the market and are backed by the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons and because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

A. I use long-term expected Treasury bond rates as the measure of the risk-free return for use with CAPM cost of equity estimates from two sources: the *Blue Chip Financial Forecasts* and the *Value Line Quarterly Forecast*.[15] The appropriate choice for the risk-free rate is the expected return for long-term Treasury securities.[16] Thus, when determining an estimate of the risk-free rate, it is appropriate to adopt a return that is no less than the expected return on the long-term Treasury bond rate. Both of my CAPM estimates are based on expected yields of the long-term treasury rates for 2016 through 2018 (from *Blue Chip Financial Forecasts* and *Value Line Quarterly Forecasts*).[17] The 2016 to 2018 timeframe is the period when new rates will be in effect for the Company.

Q. WHAT IS BETA AND WHAT DOES IT MEASURE?

A. Beta is a measure of the relative risk of a security in relation to the market. In other words, it is a measure of the sensitivity of a security to the market as a

[15] *See* Schedule D-4.9.

[16] *Duff & Phelps* at 3-1.

[17] *See* Schedule D-4.8.

whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

Beta for the market is 1.0. A security with a beta greater than 1.0 is considered riskier than the market. A security with a beta less than 1.0 is considered less risky than the market.

There are computational problems surrounding beta. It depends on the return data, the time period used, its duration, the choice of the market index, and whether annual, monthly, or weekly return figures are used. Betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[18]

Q. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR QCW?

A. I used the average beta of the sample water utility companies. Betas were obtained from *Value Line Investment Analyzer* (weekly data as if June 5, 2014). *Value Line* is the source for estimated betas that I regularly employ. The average beta for my water proxy group as shown on Schedule D-4.2 is 0.71. I should note that because QCW is not publicly traded, QCW has no beta. In my expert opinion, I strongly believe that QCW, if it were publicly traded, would have a higher beta than the sample water utility companies.

Q. WHY WOULD QCW HAVE A HIGHER BETA?

A. As previously indicated, smaller companies are inherently more risky than larger companies. *Morningstar* reports that when betas (a measure of market risk) are properly estimated, betas are greater for small companies than for larger

[18] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

companies.[19] *Morningstar* also finds that even after accounting for differences in beta risk, small firms require an additional risk premium over and above the added risk premium indicated by differences in beta risk.

Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.

A. The market-risk premium (R_m-R_f) is the return an investor expects to receive as compensation for market risk. It is the expected market return minus the risk-free rate. Approaches for estimating the market risk premium can be historical or prospective.

Since expected returns are not directly observable, historical realized returns are often used as a proxy for expected returns on the basis that the historical market risk premium follows what is known in statistics as a "random walk." If the historical risk premium does follow the random walk, then one should expect the risk premium to remain at its historical mean. Based on this argument, the best estimate of the future market risk premium is the historical mean. *Duff & Phelps* provides historical market returns for various asset classes from 1926 to 2013. This publication also provides market risk premiums over U.S. Treasury bonds, which make it an excellent source for historical market risk premiums.

Prospective market risk premium estimation approaches necessarily require examining the returns expected from common equities and bonds. One method employs applying the DCF model to a representative market index such as the *Value Line* 1700 stocks. The expected return from the DCF is measured for a number of periods of time, and then subtracted from the prevailing risk-free rate for each period to arrive at market risk premium for each period. The market risk premium subsequently employed in the CAPM is the average market risk premium

[19] *Ibbotson SBBI 2012 Valuation Yearbook*, Morningstar, Chapter 7.

of the overall period.

Q. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR QCW?

A. I used two market risk premium estimates: An historical market risk premium and a current market risk premium.

Q. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK PREMIUM?

A. I used the *Duff & Phelps* measure of the average premium of the market over long-term treasury securities from 1926 through 2013, which uses the S&P 500 market index. The average historical market risk premium over long-term treasury securities is 6.96 percent.

Q. IS THE S&P 500 INDEX A LARGE COMPANY INDEX?

A. Yes. The S&P 500 consists of the 500 largest companies and only approximately 20 percent of the S&P 500 would be considered Mid-Cap companies. Further, there are no companies in the Low-Cap or Micro-Cap categories. Because it is heavily weighted with Large-Cap companies, the S&P 500 is essentially a large company index. *Morningstar* refers to the S&P 500 as a large company index and cautions that "if using a large company index to calculate the equity risk premium, an adjustment is usually needed to account for the different risk and return characteristics of small stocks."[20]

Q. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

A. I derived a market risk premium by, first, using the DCF model to compute an expected market return for each of the past 12 months using *Value Line's* projections of the median dividend yield for the dividend yield in the DCF and an

[20] *Morningstar, 2014 Ibbotson SBBI 2014 Classic Yearbook, p. 152.*

average of the median EPS, DPS and BVPS growth on the *Value Line* 1700 stocks. I then subtracted the historical monthly average 30-year Treasury yield for each month from the expected market returns to arrive at the expected market risk premiums. Finally, I averaged the computed market risk premiums to determine the current market risk premium for the last 12 months, 9 months, 6 months, and 3 months. The data and computations are shown on Schedule D-4.10. The recent 3 month average current market risk premium is 8.73 percent. Estimates of the current market risk premium have ranged from 8.2 percent to 8.91 percent over the past 12 months. My recommended market risk premium is based on the recent 3-month average estimate of 8.73 percent and is well within the past 12 month range.

F. Financial Risk Adjustment

Q. ARE YOU RECOMMENDING A FINANCIAL RISK ADJUSTMENT TO ACCOUNT FOR DIFFERENCES IN LEVERAGE BETWEEN YOUR WATER PROXY GROUP AND QCW?

A. Yes. I have included a downward financial risk adjustment to the cost of equity of 60 basis points based upon the Hamada method[21] to account for the difference in financial risk between QCW and the water proxy group.[22]

G. Company Specific Risk Premium

Q. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.

A. As I testified earlier, QCW is not directly comparable to the publicly traded water utilities in my water proxy group. The characteristics associated with small size, such as the lack of diversification, limited revenue and cash flow, relatively small customer base, lack of investment liquidity, and earnings volatility, increase the

[21] "Effects of the Firm's Capital Structure on Systematic Risk of Common Stock," *Journal of Finance*, Vol. 27 No. 2 (May 1972) 435 – 453.

[22] *See* Schedule D-4.14.

risks of smaller water utilities over the risks associated with the water proxy group.

Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.

A. Investment risk increases as the firm size decreases, all else remaining constant. There is a great deal of empirical evidence that the firm size phenomenon exists. Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* (Chapter 7) reports that smaller companies have experienced higher returns that are not fully explainable by their higher betas and that beta is inversely related to company size. In other words, smaller companies not only have higher betas but higher returns than larger ones. Even after accounting for differences in beta risk, small companies require an additional risk premium over and above the added risk premium indicated by differences in beta risk. Dr. Zepp also reported evidence that the stocks of small water or wastewater utilities are more risky than the stocks of larger water utilities, such as those in the water utilities sample.[23] Even the California PUC conducted a study that showed smaller water utilities are more risky than larger ones.[24] Based on the evidence, it is clear that investors require higher returns on small company stocks than on large company stocks. I have included in Schedule D-4.15 the results of a *Morningstar* study using annual data reporting the size premium based upon firm size and return data (i) provided in Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* and information, and (ii) contained in Dr. Thomas M. Zepp's 2003 article in The Quarterly Review Economic and Finance. Based on these sources, I have estimated that a small company risk premium in the range of 99 to 367 basis points is appropriate for QCW.

[23] Thomas M. Zepp, *Utility Stocks and the Size Effect – Revisited*, The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, 578-582.

[24] Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CPUC Decision 92-03-093.

Q. HAVE YOU CONDUCTED A COMPARATIVE RISK STUDY TO DEVELOP AN INDICATED RISK PREMIUM FOR QCW OVER THE WATER PROXY GROUP COST OF EQUITY?

A. Yes. Attached as **Exhibit TJB-COC-DT2** is the risk study I prepared. To conduct my risk study, I started by computing the 5-year historical operating margin, coefficient of variation of operating margin, coefficient of variation of ROE. Operating margin is a measure of profitability. The co-efficient of variation of operating margin is a measure of earnings variability. Both of these metrics are highly correlated with size and risk. Next, I cross-referenced these metrics with data published by *Duff & Phelps*[25] and identified the corresponding market portfolio beta for QCW and for my water proxy group. I then computed the relative difference in beta between QCW and my proxy group. Assuming that the relative difference in the market portfolio beta for the all publicly traded companies is the same for publicly traded water utilities, I then computed an implied beta for QCW using the difference in portfolio betas.[26] Finally, I used the CAPM to compute the indicated cost of equity for QCW and compared the results to the CAPM results for my water proxy group.[27]

Q. BASED ON YOUR COMPARATIVE RISK STUDY WHAT ADDITIONAL RISK PREMIUM IS INDICATED?

A. The indicated risk premium for QCW is in the range of 100 to 120 basis points which falls at the low end of the range of small company risk premiums based two other sources of data discussed above.

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[25] *Duff & Phelps*, Exhibits D-1 and D-2.

[26] *See* page 1 of **Exhibit TJB-COC-DT2**.

[27] *See* page 2 of **Exhibit TJB-COC-DT2**.

Q. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND FOR QCW?

A. To be conservative, I add an upward risk premium of 50 basis points to the results of my models, which is well below the bottom end of the range of my risk premium estimates. I also recommend a 60 basis point downward adjustment for the difference in financial risk between QCW and the water proxy group. In effect, the net downward adjustment to the indicated cost of equity is 10 basis points (50 basis points less 60 basis points). My recommended 10 percent return on equity is 10 basis points below the midpoint of the overall results for the water proxy group.

H. Summary and Conclusions

Q. HAVE YOU PREPARED A SCHEDULE THAT SUMMARIZES YOUR EQUITY COST ESTIMATES AND PRESENTS YOUR RECOMMENDATIONS?

A. Yes. The equity cost estimates and my recommendations are summarized in Schedule D-4.1.

In the first part of my analysis, I applied two versions of the constant growth DCF model – one using historical and forecast growth and one using only forecast growth. The DCF models produce an indicated equity cost for the water proxy group in the range of 9.4 percent to 9.6 percent.[28]

In the second part of my analysis, I applied a risk premium model. I used historical annual total market returns for the water proxy group and historical average annual average long-term treasury yields to develop an equity risk premium to which I added the expected long-term treasury to estimate the current

[28] *See* Schedule D-4.7, pages 1 and 2.

cost of equity. My risk premium model produces an indicated cost of equity of 10.6 percent for the water proxy group.[29]

In the third part of my analysis, I applied two versions of the CAPM – a historical risk premium CAPM and a current market risk premium CAPM. The CAPM analyses produce an indicated cost of equity in the range of 9.5 percent to 10.8 percent for the water proxy group.[30]

The overall results on the DCF, CAPM, and RPM analyses for the water proxy group are in the range of 9.8 percent to 10.3 percent with a mid-point of 10.1 percent.

In the fourth part of my analysis, I reviewed the financial literature on the small firm size effect and determined that an appropriate risk premium for small utilities like QCW that should be applied to the DCF, RPM, and CAPM results is the range of 99 to 367 basis points.[31]

In the fifth part of my analysis, I conducted a comparative risk study using market based information and determined the indicated risk premium for QCW falls in the range of 100 to 120 basis points.[32] To be conservative, I recommend a risk premium of 50 basis points. Using my recommended risk premium of 50 basis points the additional risk premium, the DCF models produce an indicated equity cost for QCW in the range of 9.9 percent to 10.1 percent. My risk premium model produces an indicated cost of equity of 11.1 percent for QCW. My CAPM analyses produce an indicated cost of equity in the range of 10.0 percent to 11.3 percent for QCW. After adjusting for the difference in financial risk,

[29] *See* Schedule D-4.9.
[30] *See* Schedule D-4.11.
[31] *See* Schedule D-4.12.
[32] *See* **Exhibit TJB-COC-DT2** and Schedule D-4.12.

the range of cost of equity estimates falls in the range of 9.7 to 10.2 percent with a midpoint of 10.0 percent.[33]

Q. WHAT EQUITY RETURN DO YOU RECOMMEND?

A. I am recommending a cost of equity of no less than 10.0 percent. I am recommending a 50 basis point risk premium for QCW which is well below the low end (100 basis points) of the indicated range of risk premiums based on my comparative risk study.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF CAPITAL?

A. Yes.

[33] *See* Schedule D-4.1.

Quail Creek Water Company, Inc.

Direct Testimony of Thomas J. Bourassa
Cost of Capital

Exhibit TJB-COC-DT1

Water utility stocks have performed relatively well of late. Primarily purchased for their income and predictable earnings stream, these defensive stocks have managed to keep pace with the broader market averages during the most recent stock rally.

America's water infrastructure remains in terrible condition. Most systems were built decades ago and are now in desperate need of repair.

Large amounts of capital will be required to fund the necessary work.

Consolidation should accelerate in the years ahead as many small municipally owned water utilities do not have the wherewithal needed to modernize their pipelines.

The water utility consists of only nine stocks, as most systems are owned by municipalities.

Due to investors reaching for yield and ignoring risk, we believe that high-quality water utility stocks are attractive on a relative basis.

Keeping Pace With The Market

Water utility stocks are usually known for their defensive characteristics. During an economic slump, people may be able to defer buying a new car, but they will still need water. Like electric utilities, income-oriented investors are interested in water equities for the yield. Traditionally, this type of stock trails the market averages during rallies and outperforms during a market sell off. The Water Utility sector is currently ranked 51st out of 97 industries followed by *Value Line*. This isn't too bad considering that the stock market is near all-time highs. One similar sector that has performed incredibly well is electric utilities. Recently, this group's ranking has averaged between 10 and 20.

Infrastructure Is Badly In Need Of Repair

Water facilities in America are very old and in real need of being replaced. As is the case with highways, bridges, and airports, municipal governments have been skimping on capital expenditures for years, leaving such things as water pipelines, valves, and water treatment facilities in desperate need of modernization. According to the American Water Works Association (AWWA), $1 trillion will have to be spent over the next 25 years to modernize the nation's water infrastructure. A different industry group also found that only 30% of the budgets earmarked for such construction is currently being funded.

The Nature Of The Domestic Water Industry

There is a huge difference between the electric and water utility sectors. The water industry consists of tens of thousands of small municipally owned water companies. There are literally very few large publicly traded water utilities. And, only four that have market capitalization of over $1 billion. Meanwhile, there are at least 50 major publicly owned power companies that have much greater expertise and must answer to shareholders as well as customers.

Where Will The Funds Come From?

Many of the small municipally owned water authorities do not have the capital to pay for the construction needed to replace their aging facilities. They can issue municipal bonds but this market has changed considerably in the past decade. Without bond insurance and the AAA rating that previously was available, many of these authorities are shut out of the tax-free debt market. The large investor-owned water utilities have the ability to finance such expenditures with their access to the debt and equity markets. Thus, the consolidation trend will most likely continue. We expect to see the "Big Two", *American Water Works* and *Aqua America* to be the main buyers. *American States Water* and *California* may also absorb small utilities, to a lesser degree.

INDUSTRY TIMELINESS: 51 (of 97)

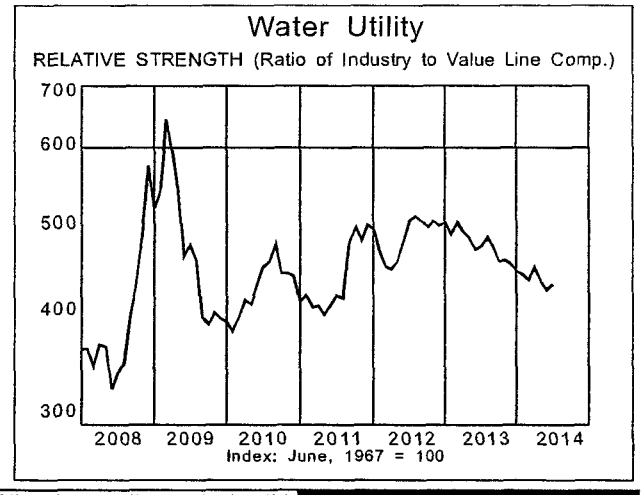
Large Appetite For Yield

With interest rates remaining low for an extended period of time, many investors are taking on more risk in search of additional income. This can be seen across the fixed income and equity markets. High-yield corporate (or junk) bonds, now carry interest rates of below 5%. Troubled economies such as Greece and Spain have seen the yields on their bonds narrow incredibly to the benchmark 10-year U.S. Treasury bond. Investors appear to be focusing almost exclusively on current income and overlooking risk. This has effected water utilities in that the yield spread between high- and low-quality stocks is now very compressed. Indeed, among the nine stocks in the industry, the yields range from only 2.6% to 3.6%. This is very tight on an historical basis. In layman's terms, it means that "quality is cheap" or that not as much current income has to be sacrificed in return for the potential of strong dividend growth, as in the past.

Conclusion

Based on our ranking system, *American Water Works* merits the strongest consideration, as it has a Timeliness of 1 (Highest). *California Water* also is ranked to outperform the broader market averages in the year ahead. As always, we advise our subscribers to read each page closely to understand the specific risks associated with each company before investing.

James A. Flood



AMER. STATES WATER NYSE-AWR

RECENT PRICE 32.29 | P/E RATIO 20.2 (Trailing: 21.0 Median: 21.0) | RELATIVE P/E RATIO 1.07 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 3 Lowered 5/16/14
SAFETY 2 Raised 7/20/12
TECHNICAL 2 Lowered 7/11/14
BETA .70 (1.00 = Market)

2017-19 PROJECTIONS

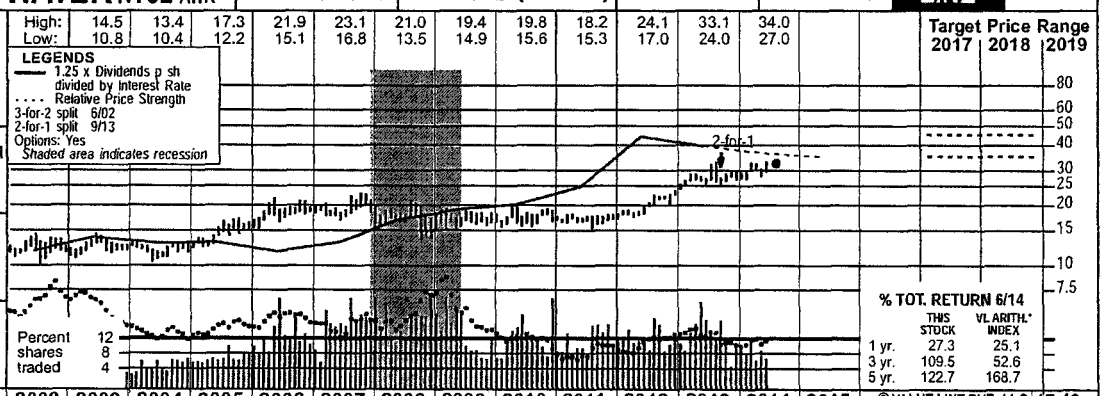
	Price	Gain	Ann'l Total Return
High	45	(+40%)	11%
Low	35	(+10%)	5%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	1	0	0	0	1	0
to Sell	0	0	0	2	0	0	0	2	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	72	79	79
to Sell	90	72	72
Hld's(000)	23953	23188	23233



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
5.51	6.45	6.08	6.53	6.89	6.99	6.81	7.03	7.88	8.75	9.21	9.74	10.71	11.12	12.12	12.19	*12.50*	*13.35*	Revenues per sh	*15.05*
1.02	1.13	1.10	1.26	1.27	1.04	1.11	1.32	1.45	1.65	1.69	1.70	2.11	2.13	2.48	2.65	*2.75*	*2.80*	"Cash Flow" per sh	*3.35*
.54	.60	.64	.67	.67	.39	.53	.66	.67	.81	.78	.81	1.11	1.12	1.41	1.61	*1.60*	*1.65*	Earnings per sh A	*1.95*
.42	.43	.43	.43	.44	.44	.44	.45	.46	.48	.50	.51	.52	.55	.64	.76	*.84*	*.92*	Div'd Decl'd per sh B■	*1.10*
1.56	2.15	1.51	1.59	1.34	1.88	2.51	2.12	1.95	1.45	2.23	2.09	2.12	2.13	1.77	2.52	*2.30*	*2.25*	Cap'l Spending per sh	*2.50*
5.74	5.91	6.37	6.61	7.02	6.98	7.51	7.86	8.32	8.77	8.97	9.70	10.13	10.84	11.80	12.72	*12.90*	*13.35*	Book Value per sh	*15.35*
26.87	26.87	30.24	30.24	30.36	30.42	33.50	33.60	34.10	34.46	34.60	37.06	37.26	37.70	38.53	38.72	*38.00*	*37.50*	Common Shs Outst'g C	*37.50*
15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.4	14.3	17.2	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*20.0*
.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	.97	.91	.97			Relative P/E Ratio	*1.25*
5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.2%	3.1%	2.7%			Avg Ann'l Div'd Yield	*2.8%*
228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	466.9	472.1	*475*	*500*	Revenues ($mill)	*565*
16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	54.1	62.7	*61.0*	*60.0*	Net Profit ($mill)	*73.0*
37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	39.9%	36.3%	*37.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	12.2%	8.5%	6.9%	3.2%	5.8%	2.0%	2.5%	.5%	*.5%*	*2.5%*	AFUDC % to Net Profit	*2.5%*
47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	42.2%	39.8%	*41.5%*	*43.0%*	Long-Term Debt Ratio	*42.5%*
52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	57.8%	60.2%	*58.5%*	*57.0%*	Common Equity Ratio	*57.5%*
480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	787.0	818.4	*840*	*875*	Total Capital ($mill)	*1000*
664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	917.8	981.5	*1010*	*1050*	Net Plant ($mill)	*1180*
5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	7.1%	8.3%	8.9%	*8.5%*	*8.0%*	Return on Total Cap'l	*9.5%*
6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	*12.5%*	*12.0%*	Return on Shr. Equity	*12.5%*
6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	*12.5%*	*12.0%*	Return on Com Equity	*12.5%*
1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.3%	6.6%	6.8%	*6.0%*	*5.0%*	Retained to Com Eq	*5.5%*
84%	67%	67%	58%	64%	61%	47%	49%	45%	47%	*53%*	*58%*	All Div'ds to Net Prof	*56%*

CAPITAL STRUCTURE as of 3/31/14
Total Debt $356.3 mill. **Due in 5 Yrs** $7.6 mill.
LT Debt $326.0 mill. **LT Interest** $21.0 mill.
(LT interest earned: 5.7 x; total interest coverage: 5.4 x) (40% of Cap'l)
Leases, Uncapitalized: Annual rentals $2.2 mill.
Pension Assets-12/13 $127.5 mill.
Oblig. $152.7 mill.
Pfd Stock None.

Common Stock 38,778,608 shs.
as of 5/5/14

MARKET CAP: $1.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	23.5	38.2	74.9
Other	160.5	153.4	138.3
Current Assets	184.0	191.6	213.2
Accts Payable	40.6	49.8	42.6
Debt Due	3.3	6.3	30.3
Other	49.8	44.8	46.2
Current Liab.	93.7	100.9	119.1
Fix. Chg. Cov.	488%	531%	533%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	5.5%	6.5%	*4.0%*
"Cash Flow"	7.5%	8.5%	*5.5%*
Earnings	9.0%	13.0%	*6.0%*
Dividends	4.0%	6.5%	*9.0%*
Book Value	5.5%	6.5%	*4.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	94.3	109.8	119.9	95.3	419.3
2012	107.6	114.3	133.5	111.5	466.9
2013	110.6	120.7	130.9	109.9	472.1
2014	101.9	*125*	*133.1*	*115*	*475*
2015	*120*	*130*	*135*	*115*	*500*

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.19	.34	.42	.17	1.12
2012	.27	.40	.49	.26	1.41
2013	.35	.43	.53	.30	1.61
2014	.28	*.42*	*.55*	*.30*	*1.60*
2015	*.30*	*.45*	*.58*	*.32*	*1.65*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.13	.13	.13	.13	.52
2011	.13	.14	.14	.14	.55
2012	.14	.14	.1775	.1775	.64
2013	.1775	.1775	.2025	.2025	.76
2014	.2025	.2025			

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 728 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

Severe drought conditions in California should not have a material impact on American States Water's main subsidiary. State regulators have established mechanisms that allow Golden Gate Water Co. (GGWC) to pass through higher costs to consumers resulting from the drought. To date, conservation efforts have proved successful in lowering the demand for water and easing any rate shock over the higher monthly bills. GGWC will continue to pump and collect as much of its own water as possible because purchasing water (about 35% of total) on the California market is more expensive.

Share earnings will likely remain flattish through 2015. GGWC is earning close to the maximum allowed by state regulators. Thus, we don't expect much growth in utility operations in the near term. Due to solid cash generation, however, annual dividend hikes should remain healthy.

Longer term, nonregulated activities are a major plus. American States Utility Services (ASUS) operates the water systems at nine U.S. Army bases. Currently, this segment accounts for 22% of net income. Over the next few years, we expect profits from this segment to increase as the government continues to privatize the water services at more bases. This also represents a relatively low-risk opportunity for the company to earn a greater return on equity than permitted by regulators.

American States has the strongest balance sheet in the industry. The equity-to-total capital ratio has recently been in the 60% neighborhood as the company has been retiring outstanding debt. As a result, American States is the sole company in the industry with an A Financial Strength rating. Moreover, a 1.25 million share-buyback program through mid-2016 was just announced.

These shares have been on a roll. Over the past month, the price has risen about 18%, versus 5% for the broader market averages. And, while this run-up has diminished some of the equity's luster over the 2017-2019 time frame, it still offers better total return potential than others in the water group because of its solid dividend growth prospects.

James A. Flood *July 18, 2014*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7¢; '05, 13¢; '06, 3¢; '08, (14¢); '10, (23¢) '11, 10¢. Next earnings report due early August. Quarterly earnings may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	75
Earnings Predictability	90

AQUA AMERICA NYSE-WTR

RECENT PRICE 25.01 | P/E RATIO 20.8 (Trailing: 21.9 Median: 24.0) | RELATIVE P/E RATIO 1.11 | DIV'D YLD 2.6% | VALUE LINE

TIMELINESS 3 Lowered 5/24/13
SAFETY 2 Raised 4/20/12
TECHNICAL 2 Raised 7/11/14
BETA .70 (1.00 = Market)

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+80%)	18%
Low	30	(+20%)	8%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	2	1	1	0	2	0	3	2	0
to Sell	0	1	1	3	1	1	1	4	1

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	153	140	130
to Sell	154	149	145
Hld's(000)	85173	83710	82758

High:	13.4	14.8	23.4	23.8	21.3	17.6	17.2	18.4	19.0	21.5	28.1	26.3
Low:	9.5	11.3	14.0	16.1	15.1	9.8	12.3	13.2	15.4	16.8	20.6	22.4

LEGENDS
— 1.60 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
5-for-4 split 12/01
5-for-4 split 12/03
4-for-3 split 12/05
5-for-4 split 9/13
Options: Yes
Shaded area indicates recession

Target Price Range 2017 | 2018 | 2019

% TOT. RETURN 6/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.3	25.1
3 yr.	61.3	52.6
5 yr.	110.7	168.7

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
1.67	1.93	1.97	2.16	2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	4.32	*4.60*	*4.90*	Revenues per sh	*5.60*
.49	.58	.61	.69	.76	.77	.87	.97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	1.82	*1.95*	*2.00*	"Cash Flow" per sh	*2.90*
.32	.33	.37	.41	.43	.46	.51	.57	.56	.57	.58	.62	.72	.83	.87	1.16	*1.20*	*1.30*	Earnings per sh A	*1.55*
.20	.22	.23	.24	.26	.28	.29	.32	.35	.38	.41	.44	.47	.50	.54	.58	*.63*	*.69*	Div'd Decl'd per sh B●	*.90*
.65	.72	.93	.87	.96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	1.73	*1.90*	*1.95*	Cap'l Spending per sh	*1.95*
2.57	2.74	3.08	3.32	3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	8.63	*8.85*	*9.05*	Book Value per sh	*11.00*
90.25	133.50	139.78	142.47	141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	177.93	*174.00*	*171.00*	Common Shs Outst'g C	*170.00*
22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	21.2	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*24.0*
1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.34	1.39	1.19			Relative P/E Ratio	*1.50*
2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	2.8%	2.8%	2.4%			Avg Ann'l Div'd Yield	*2.4%*
442.0	496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	768.6	*800*	*835*	Revenues ($mill)	*950*
80.0	91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	205.0	*210*	*225*	Net Profit ($mill)	*265*
39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	10.0%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
--	--	--	--	--	--	--	--	2.9%	1.1%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	*49.0%*	*49.0%*	Common Equity Ratio	*48.0%*
1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	*3150*	*3325*	Total Capital ($mill)	*3950*
2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	*4300*	*4400*	Net Plant ($mill)	*5000*
6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	*8.5%*	*9.0%*	Return on Total Cap'l	*.5%*
10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	*13.5%*	*14.5%*	Return on Shr. Equity	*14.0%*
10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	*13.5%*	*14.5%*	Return on Com Equity	*14.0%*
4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	*6.5%*	*7.0%*	Retained to Com Eq	*6.0%*
57%	56%	63%	67%	70%	72%	65%	60%	61%	50%	*53%*	*53%*	All Div'ds to Net Prof	*58%*

CAPITAL STRUCTURE as of 3/31/14
Total Debt $1623.7 mill. Due in 5 Yrs $324.6 mill.
LT Debt $1498.0 mill. LT Interest $70.0 mill.
(Total interest coverage: 3.9x) (49% of Cap'l)

Pension Assets-12/13 $232.4 mill.
Oblig. $281.2 mill.

Pfd Stock None
Common Stock 177,060,756 shares as of 4/23/14

MARKET CAP: $4.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	5.5	5.1	17.5
Receivables	92.9	95.4	89.9
Inventory (AvgCst)	11.8	11.4	11.8
Other	150.7	59.8	94.4
Current Assets	260.9	171.7	213.6
Accts Payable	55.5	65.8	31.5
Debt Due	125.4	123.0	125.7
Other	93.3	78.1	94.0
Current Liab.	274.2	266.9	251.2
Fix. Chg. Cov.	413%	388%	389%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	6.5%	4.0%	*4.5%*
"Cash Flow"	8.0%	8.0%	*10.0%*
Earnings	8.5%	11.0%	*8.5%*
Dividends	7.5%	7.0%	*9.0%*
Book Value	8.0%	6.0%	*5.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	163.6	178.3	197.3	172.7	712.0
2012	164.0	191.7	214.6	187.5	757.8
2013	180.0	195.7	204.3	188.6	768.6
2014	182.7	*205*	*210*	*202.3*	*800*
2015	*195*	*210*	*220*	*210*	*835*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.18	.22	.24	.19	.83
2012	.15	.24	.29	.19	.87
2013	.26	.30	.36	.24	1.16
2014	.24	*.30*	*.40*	*.26*	*1.20*
2015	*.27*	*.32*	*.40*	*.31*	*1.30*

Calendar	QUARTERLY DIVIDENDS PAID B ● Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.116	.116	.116	.124	.47
2011	.124	.124	.124	.132	.50
2012	.132	.132	.132	.14	.54
2013	.14	.14	.152	.152	.58
2014	.152	.152			

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '13: residential, 60.3%; commercial, 15.8%; industrial & other, 23.9%. Officers and directors own .8% of the common stock; Vangurad Group, 6.6%; State Street Capital Corp., 6.3%; Blackrock, Inc, 6.1% (4/14 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America is continuing to expand via acquisitions. A very high percentage of water systems in the U.S. is owned by small towns and cities. Aqua America has been benefiting from this environment by making deals with financially strapped government entities that do not have the wherewithal to upgrade their antiquated water systems. In May, the utility agreed to purchase Illinois-based North Maine Utilities for $22 million and to invest an additional $10 million into improving the system. Aqua made 15 acquisitions last year and is expected to match that figure in 2014.

A promising new market has stumbled of late. When a new oil or gas site is being drilled using the hydraulic fracking method, five million gallons of water is required for each well. Aqua realized that drillers are willing to pay a premium to have a water company extend its pipelines into their oil fields. Aqua has installed new pipelines in the Marcellus Shale, as a result. Drilling activity has been less than expected, however, due to low natural gas prices. This has led to Aqua posting losses in this sector in the latest quarter. Over the long term, we remain very optimistic about this operation as Aqua has identified 575 wells yet to be tapped.

Capital outlays will remain large. The company expects to spend close to $1 billion over the next three years, mostly to upgrade its existing facilities. Since Aqua's finances have improved significantly over the previous four years, the balance sheet should be able to take on more debt and still remain healthy.

Dividend growth prospects are encouraging. Even with its large construction program, we think that Aqua will be able to maintain hikes in the annual payout in the 8% to 10% range over the long pull.

Aqua shares offer attractive total return potential over the next three- to five- year period. Recently, the yield spread between high- and low- quality water utilities has been very compressed. This means that investors only have to sacrifice a minimum amount of current yield for the strong dividend growth prospects that this stock offers.

James A. Flood *July 18, 2014*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢. May not sum due to rounding. Next earnings report due early August.
(B) Dividends historically paid in early March, June, Sept. & Dec. ● Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	95

CALIFORNIA WATER NYSE-CWT

RECENT PRICE 23.82 | P/E RATIO 23.8 (Trailing: 26.5 Median: 20.0) | RELATIVE P/E RATIO 1.27 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Raised 6/20/14
SAFETY 3 Lowered 7/27/07
TECHNICAL 2 Raised 7/4/14
BETA .70 (1.00 = Market)

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+45%)	12%
Low	25	(+5%)	4%

Insider Decisions

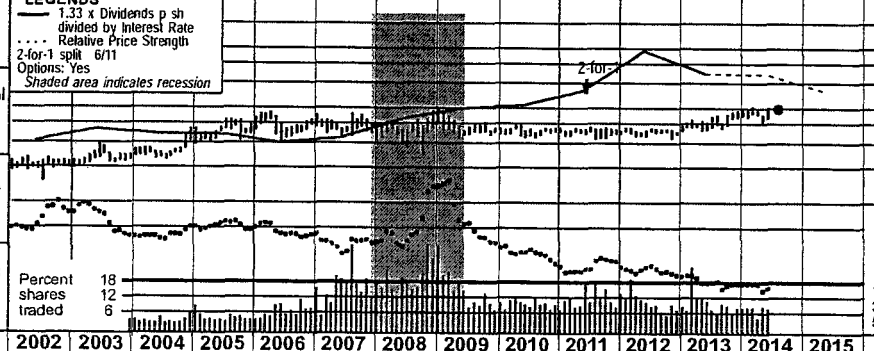
	A	S	O	N	D	J	F	M	A
to Buy	0	1	0	0	0	0	0	0	0
Options	1	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	60	74	64
to Sell	51	52	58
Hld's(000)	27841	27908	29389

High:	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3	23.4	24.8
Low:	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4	20.3

LEGENDS
1.33 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 6/11
Options: Yes
Shaded area indicates recession



Target Price Range 2017 | 2018 | 2019
64
48
40
32
24
20
16
12
8
6

% TOT. RETURN 6/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	27.8	25.1
3 yr.	42.6	52.6
5 yr.	54.7	168.7

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.34	12.23	12.60	13.25	Revenues per sh	16.50
1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.32	2.21	2.20	2.40	"Cash Flow" per sh	3.00
.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.00	1.20	Earnings per sh A	1.50
.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.64	.65	.68	Div'd Decl'd per sh B ■	.94
1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.04	2.58	2.65	3.35	Cap'l Spending per sh	3.20
6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.28	12.54	12.90	13.30	Book Value per sh C	15.10
25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.98	47.74	48.00	48.00	Common Shs Outst'g D	50.00
17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	20.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	20.0
.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.14	1.13			Relative P/E Ratio	1.25
4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	3.1%			Avg Ann'l Div'd Yield	3.1%
315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	584.1	605	635	Revenues ($mill) E	825
26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.6	47.3	48.0	58.0	Net Profit ($mill)	75.0
39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	30.3%	34.5%	38.0%	Income Tax Rate	39.0%
3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	4.3%	7.0%	8.5%	AFUDC % to Net Profit	7.0%
48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	47.8%	41.6%	43.0%	45.5%	Long-Term Debt Ratio	49.0%
50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.4%	57.0%	54.5%	Common Equity Ratio	51.0%
565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1024.9	1030	1185	Total Capital ($mill)	1435
800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1515.8	1570	1600	Net Plant ($mill)	1850
6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	6.0%	6.0%	7.5%	Return on Total Cap'l	6.5%
8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	8.0%	9.0%	Return on Shr. Equity	10.0%
9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	8.0%	9.0%	Return on Com Equity	10.0%
2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	3.4%	3.0%	5.0%	Retained to Com Eq	4.0%
77%	78%	86%	77%	61%	60%	66%	71%	62%	56%	65%	57%	All Div'ds to Net Prof	63%

CAPITAL STRUCTURE as of 3/31/14
Total Debt $497.6 mill. Due in 5 Yrs $89.3 mill.
LT Debt $425.7 mill. LT Interest $28.0 mill.
(LT interest earned: 3.4x; total int. cov.: 3.2x)
(42% of Cap'l)
Pension Assets-12/13 $266.2 mill.
Oblig. $383.2 mill.
Pfd Stock None

Common Stock 47,803,849 shs.
as of 4/27/14

MARKET CAP: $1.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	38.8	27.5	21.7
Other	107.8	112.0	108.4
Current Assets	146.6	139.5	130.1
Accts Payable	46.8	55.1	50.7
Debt Due	136.3	54.7	71.9
Other	59.7	56.8	69.6
Current Liab.	242.8	166.6	192.2
Fix. Chg. Cov.	296%	301%	299%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.0%	7.0%	4.5%
"Cash Flow"	6.0%	6.5%	5.5%
Earnings	5.5%	4.0%	7.5%
Dividends	1.0%	1.5%	7.0%
Book Value	5.5%	4.5%	4.5%

Calendar	QUARTERLY REVENUES ($ mill.) E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	98.1	131.4	169.3	103.0	501.8
2012	116.8	143.6	178.1	121.5	560.0
2013	111.4	154.6	184.4	133.7	584.1
2014	110.5	155	195	144.5	605
2015	125	160	200	150	635

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.03	.29	.50	.04	.86
2012	.03	.31	.56	.12	1.02
2013	.01	.28	.61	.12	1.02
2014	d.11	.27	.66	.18	1.00
2015	.05	.30	.67	.18	1.20

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012	.1575	.1575	.1575	.1575	.63
2013	.16	.16	.16	.16	.64
2014	.1625	.1625			

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 471,900 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '13: residential, 70%; business, 19%; public authorities, 5%; industrial, 5%; other 1%. '13 reported depreciation rate: 3.8%. Has 1,131 employees. President, Chairman, and Chief Executive Officer: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

State regulators still have not ruled on California Water's petition for higher rates. In early July 2012, the utility filed a rate case with the California Public Utility Commission (CPUC) seeking increases in customers' bills of $92.7 million, $17.2 million and $16.9 million, in 2014, 2015, and 2016, respectively. Due to the size of the hikes, California Water worked with six different entities affected by the hikes, including the Office of Ratepayers Advocates. After lengthy negotiations, an agreement was reached with all parties involved in the discussions. According to the deal, annual rates would be raised by $45 million, $10 million, and $10 million over the 2014-2016 period. An administrative law judge has also recently signed off on the settlement.

The utility's fate continues to be in hands of regulators. Despite all of California Water's efforts, the CPUC has the final authority and is not bound by the recommendations mentioned above. Indeed, we are surprised by the delay in the final ruling.

Meanwhile, the first quarter was a major disappointment. Without the full rate relief, California Water lost $0.11 a share in the March period. And, while the increased costs should eventually be recovered, the time frame appears to now be 12 to 24 months, instead of collected over the remainder of 2014.

We are slashing our earnings estimate for 2014. Due to the CPUC's delay, we now expect the company's share earnings to only reach $1.00, $0.20 less than our previous number. We are also reducing our forecast for 2015 by $0.10, to $1.20.

Severe drought conditions in California should not have a near-term impact on the company. That's because mechanisms are in place that permit any increased costs related to the water shortage to be passed along to customers.

California Water shares hold modest appeal at this juncture. Investors might want to steer clear of this stock until the CPUC issues a final ruling. Moreover, the company's recent annual dividend increase of 1.6% was extremely unimpressive. For those insisting on owning a water utility, there are much better selections available in the group, in our opinion.

James A. Flood *July 18, 2014*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due mid-August. (B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available. (C) Incl. intangible assets. In '13: $18.2 mill., $0.38/sh. (D) In millions, adjusted for splits. (E) Excludes non-reg. rev.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	90

CONNECTICUT WATER NDQ-CTWS

RECENT PRICE 33.21 | P/E RATIO 19.0 (Trailing: 19.7 Median: 22.0) | RELATIVE P/E RATIO 1.01 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 2 Raised 12/13/13
SAFETY 3 New 1/18/13
TECHNICAL 3 Lowered 3/14/13
BETA .65 (1.00 = Market)

2017-19 PROJECTIONS

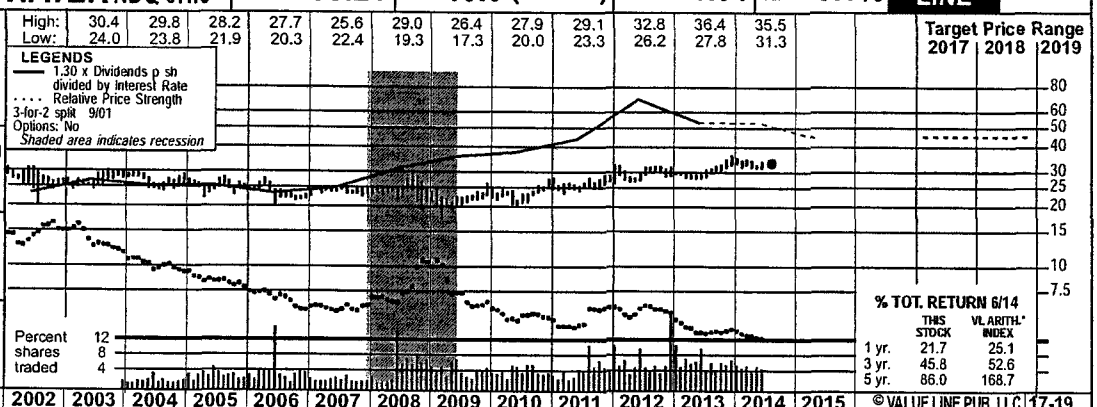
	Price	Gain	Ann'l Total Return
High	45	(+35%)	11%
Low	30	(-10%)	1%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	2	0	0	0	0	0
to Sell	0	0	0	2	0	0	0	0	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	42	41	44
to Sell	31	35	27
Hld's(000)	4509	4350	4324



% TOT. RETURN 6/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.7	25.1
3 yr.	45.8	52.6
5 yr.	86.0	168.7

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
5.58	5.87	5.70	5.93	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	9.47	8.29	*8.45*	*8.70*	Revenues per sh	*11.65*
1.59	1.65	1.73	1.78	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	2.64	2.63	*2.75*	*2.85*	"Cash Flow" per sh	*3.00*
1.02	1.03	1.09	1.13	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	1.66	*1.75*	*1.85*	Earnings per sh A	*1.95*
.78	.79	.79	.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	.98	*1.01*	*1.04*	Div'd Decl'd per sh B■	*1.16*
1.12	1.42	1.43	1.86	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.79	3.02	*2.95*	*2.90*	Cap'l Spending per sh	*2.75*
8.52	8.61	8.92	9.25	10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	20.95	17.92	*18.95*	*20.85*	Book Value per sh D	*23.75*
6.80	7.26	7.28	7.65	7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	8.85	11.04	*11.25*	*11.50*	Common Shs Outst'g C	*12.00*
15.5	18.2	18.2	21.5	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	18.4	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*20.0*
.81	1.04	1.18	1.10	1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.23	1.03			Relative P/E Ratio	*1.25*
4.9%	4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.2%	3.2%			Avg Ann'l Div'd Yield	*3.1%*
48.5	47.5	46.9	59.0	61.3	59.4	66.4	69.4	83.8	91.5	*95.0*	*100*	Revenues ($mill)	*140*
9.4	7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	18.3	*19.5*	*21.0*	Net Profit ($mill)	*23.5*
22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	28.0%	*30.0%*	*31.0%*	Income Tax Rate	*33.0%*
--	--	--	--	1.7%	--	--	--	1.7%	2.0%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
42.8%	44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	46.9%	*45.5%*	*43.5%*	Long-Term Debt Ratio	*43.0%*
56.7%	54.6%	55.1%	51.8%	52.7%	49.1%	50.2%	46.5%	50.8%	52.9%	*54.5%*	*56.5%*	Common Equity Ratio	*57.0%*
155.1	172.3	174.1	193.2	196.5	221.3	225.6	254.2	364.6	373.6	*390*	*420*	Total Capital ($mill)	*500*
246.1	247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	471.9	*490*	*490*	Net Plant ($mill)	*575*
7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	4.8%	5.9%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.0%*
10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	9.2%	*10.0%*	*9.0%*	Return on Shr. Equity	*8.5%*
10.6%	7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	*10.0%*	*9.0%*	Return on Com Equity	*8.5%*
3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	2.8%	3.8%	*4.0%*	*3.5%*	Retained to Com Eq	*3.5%*
71%	95%	105%	82%	79%	76%	81%	83%	62%	59%	*58%*	*58%*	All Div'ds to Net Prof	*59%*

CAPITAL STRUCTURE as of 3/31/14
Total Debt $178.5 mill. Due in 5 Yrs $18.6 mill.
LT Debt $174.4 mill. LT Interest $7.2 mill.
(Total interest coverage: 4.4x)
(47% of Cap'l)
Leases, Uncapitalized: Annual rentals $.1 mill.
Pension Assets $56.8 mill.
Oblig. $64.2 mill.

Pfd Stock $0.8 mill. Pfd Divd NMF

Common Stock 11,080,435 shs.
as of 4/30/14
MARKET CAP: $375 million (Small Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	13.2	18.4	15.3
Accounts Receivable	11.5	12.3	11.4
Other	11.7	16.2	17.1
Current Assets	36.4	46.9	43.8
Accts Payable	10.0	10.8	6.5
Debt Due	3.0	4.1	4.1
Other	2.9	7.8	9.9
Current Liab.	15.9	22.7	20.5
Fix. Chg. Cov.	408%	375%	375%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.0%	5.0%	5.5%
"Cash Flow"	3.0%	6.5%	3.5%
Earnings	2.5%	8.0%	5.0%
Dividends	1.5%	2.0%	3.0%
Book Value	6.0%	8.0%	5.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	16.0	17.4	20.6	15.4	69.4
2012	18.5	21.3	24.5	19.5	83.8
2013	19.7	22.6	27.6	21.6	91.5
2014	20.3	*23.7*	*29.0*	*22.0*	*95.0*
2015	*22.0*	*25.0*	*30.0*	*23.0*	*100*

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.26	.37	.39	.11	1.13
2012	.22	.47	.67	.17	1.53
2013	.24	.39	.86	.17	1.66
2014	.27	*.47*	*.76*	*.25*	*1.75*
2015	.32	*.48*	*.78*	*.27*	*1.85*

Calendar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.228	.228	.233	.233	.922
2011	.233	.233	.238	.238	.942
2012	.238	.238	.2425	.2425	.962
2013	.2425	.2425	.2475	.2475	.98
2014	.2475	.2475			

BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). Its largest subsidiary, Connecticut Water, accounted for about 85% of the holding company's net income in 2012, and provides water services to 400,000 people in 55 towns throughout Connecticut and Maine. Acquired The Maine Water Co., 1/12; Biddeford and Saco Water, 12/12. Inc.: CT. Has about 260 employees. Chairman/President/CEO: Eric W. Thornburg. Officers and directors own 2.2% of the common stock; BlackRock, Inc. 6.7%; The Vanguard Group, 5.3% (4/13 proxy). Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.

Connecticut Water Services continues to benefit from a past regulatory ruling. Last year, the utility agreed to lower customer bills and not seek higher rates before 2015 in order to keep the benefits resulting from a tax refund. The settlement appeared to have worked out for both Connecticut Water and its customers. Indeed, in 2013, the company was able to break out of a five-year run of sluggish profits.

A more constructive regulatory environment could be a major positive. Connecticut's regulatory climate is rated as below average by *Value Line*. (This includes rulings on both electric and water utilities.) Should the Nutmeg state continue the trend of working with utilities, Connecticut Water's long-term prospects would be enhanced.

Earnings should show steady, mid-single-digit gains over this year and next. In Maine, which is responsible for 20% of total revenues, the company has merged its two water utilities. This should eliminate regulatory redundancies and help lower costs. Moreover, as the company continues to expand, it will be earning a return on a larger asset base. All told, we expect share net to increase by over 5%, in both 2014 and 2015.

Long-term dividend growth will probably be below the industry average. Connecticut Water's dividend history over the past five and 10 years has been not been nearly as robust as its peers. As profits continue to move higher, though, there should be more room for payout hikes. Investors should take note of the next board of directors' meeting in August, when the annual dividend increase will be announced. We think the company will finally break the five-year pattern of only increasing the dividend by $0.02 a share.

Connecticut Water is expanding its customer base. The company is currently working on two projects aimed at increasing revenues. Pipelines are being extended so that the town of Mansfield will become a new customer. A deal has also been reached to supply water to the University of Connecticut's main campus in Storrs.

These shares are timely. The stock has underperformed of late, making it somewhat appealing on a relative basis.

James A. Flood *July 18, 2014*

(A) Diluted earnings. Next earnings report due late July. Quarterly earnings do not add in '12 due to rounding.
(B) Dividends historically paid in mid-March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.
(D) Includes intangibles. In '13: $31.7 million/$2.87 a share.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	40
Earnings Predictability	85

MIDDLESEX WATER NDQ-MSEX

RECENT PRICE 21.14 | P/E RATIO 19.2 (Trailing: 20.5 Median: 21.0) | RELATIVE P/E RATIO 1.02 | DIV'D YLD 3.6% | VALUE LINE

TIMELINESS 3 Lowered 4/11/14
SAFETY 2 New 10/21/11
TECHNICAL 3 Lowered 7/18/14
BETA .70 (1.00 = Market)

2017-19 PROJECTIONS

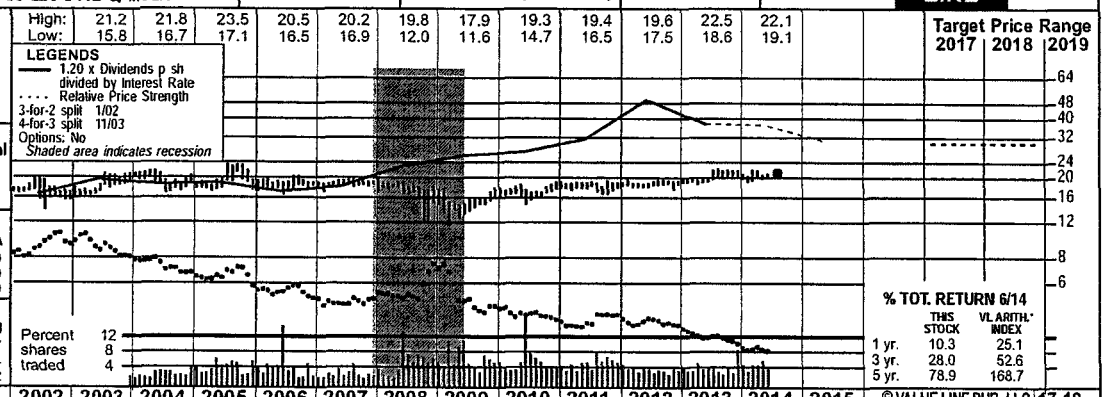
	Price	Gain	Ann'l Total Return
High	30	(+40%)	12%
Low	20	(-5%)	3%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	1	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	2	0	0	0	2	0	0	0	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	42	43	37
to Sell	29	32	34
Hld's(000)	6608	6384	6432



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	6.98	7.19	*7.75*	*8.00*	Revenues per sh	*9.35*
1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.46	1.56	1.72	*1.80*	*1.85*	"Cash Flow" per sh	*2.35*
.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	.90	1.03	*1.10*	*1.15*	Earnings per sh [A]	*1.20*
.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	.75	*.76*	*.77*	Div'd Decl'd per sh [B■]	*.83*
2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	1.36	1.26	*1.95*	*2.00*	Cap'l Spending per sh	*2.00*
6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	11.48	11.82	*12.10*	*12.60*	Book Value per sh [D]	*13.20*
9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	15.82	15.96	*16.10*	*16.25*	Common Shs Outst'g [C]	*17.00*
15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.7	20.8	19.7	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*22.0*
.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.36	1.32	1.11			Relative P/E Ratio	*1.40*
5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.0%	4.0%	3.7%			Avg Ann'l Div'd Yield	*3.3%*
71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.1	110.4	114.8	*125*	*130*	Revenues ($mill)	*155*
8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.4	14.4	16.6	*17.0*	*18.0*	Net Profit ($mill)	*20.5*
31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.7%	33.9%	34.1%	*34.0%*	*33.0%*	Income Tax Rate	*34.0%*
--	--	--	--	--	--	6.8%	6.1%	3.4%	1.9%	*1.0%*	*1.0%*	AFUDC % to Net Profit	*2.0%*
53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	42.3%	41.5%	40.4%	*42.5%*	*43.5%*	Long-Term Debt Ratio	*43.5%*
42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	56.6%	57.4%	58.7%	*57.0%*	*56.0%*	Common Equity Ratio	*56.0%*
214.5	231.7	264.0	268.8	259.4	267.9	310.5	312.5	316.5	321.4	*340*	*365*	Total Capital ($mill)	*400*
262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	435.2	446.5	*455*	*450*	Net Plant ($mill)	*500*
5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.2%	5.4%	5.9%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	7.8%	8.7%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	8.7%	*8.5%*	*8.5%*	Return on Com Equity	*9.0%*
.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.0%	1.4%	2.4%	*2.5%*	*2.5%*	Retained to Com Eq	*3.0%*
90%	94%	84%	79%	78%	98%	75%	87%	83%	73%	*72%*	*70%*	All Div'ds to Net Prof	*69%*

CAPITAL STRUCTURE as of 3/31/14
Total Debt $161.9 mill. Due in 5 Yrs $56.4 mill.
LT Debt $129.0 mill. LT Interest $5.0 mill.
(LT interest earned: 6.0x)
(40% of Cap'l)

Pension Assets-12/13 $46.4 mill.
Oblig. $56.0 mill.
Pfd Stock $2.9 mill. Pfd Div'd: $.1 mill.

Common Stock 15,986,792 shs.
as of 4/30/14

MARKET CAP: $350 million (Small Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	3.0	4.8	5.9
Other	21.6	21.0	19.9
Current Assets	24.6	25.8	25.7
Accts Payable	3.8	6.3	5.6
Debt Due	11.1	33.8	32.9
Other	41.1	12.6	14.0
Current Liab.	56.0	52.7	52.5
Fix. Chg. Cov.	554%	697%	695%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	1.5%	1.0%	*5.0%*
"Cash Flow"	3.0%	1.5%	*7.0%*
Earnings	3.5%	1.5%	*4.5%*
Dividends	1.5%	1.5%	*2.0%*
Book Value	4.5%	3.0%	*2.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	24.0	26.1	28.7	23.3	102.1
2012	23.5	27.4	32.4	27.1	110.4
2013	27.0	29.1	31.3	27.4	114.8
2014	27.1	*31.9*	*35.0*	*31.0*	*125*
2015	*30.0*	*33.0*	*37.0*	*30.0*	*130*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.11	.23	.32	.12	.84
2012	.11	.23	.38	.17	.90
2013	.20	.28	.36	.19	1.03
2014	.20	*.30*	*.40*	*.20*	*1.10*
2015	*.20*	*.32*	*.43*	*.20*	*1.15*

Calendar	QUARTERLY DIVIDENDS PAID [B■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012	.185	.185	.185	.1875	.74
2013	.1875	.1875	.1875	.19	.753
2014	.19	.19			

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. In 2013, the Middlesex System accounted for 60% of operating revenues. At 12/31/13, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 3.3% of the common stock; BlackRock, 7.4%; Vanguard 3.3%. (4/14 proxy). Add.: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Middlesex Water was recently granted rate relief. On June 18th, the New Jersey State Board of Public Utilities (BPU) permitted the utility to raise customers' bills by 6.34%. Middlesex had originally sought a hike of 15.9%, but eventually lowered that figure to 12.1%. The ruling could have been more generous, but the 9.75% allowed return on equity was a positive, in our opinion.

Earnings growth will probably be decent for this year and next. In addition to the increase in New Jersey, Middlesex was granted higher rates in Delaware in February. These new revenues should enable the utility to more than compensate for the loss of sales resulting from the closing of a large oil refinery owned by Hess Corp and the expiration of a contract to supply water to the borough of Sayreville. All told, we think the company's share net will increase by 7% in 2014, and 5%, in 2015.

Annual dividend hikes should remain subpar, however. We think that 2014 will mark the seventh straight year in which the company raises the yearly payout by only $0.01. Though this streak could be broken next year, we estimate the hike will only average 2.0% through 2017-2019, well short of the norm for a water utility.

Capital expenditures are expected to spike this year and next. Like most of its peers, Middlesex has to invest heavily to upgrade and repair an outmoded infrastructure. Spending is expected to average $32 million in 2014 and 2015 compared to the $20 million required in 2013. The utility currently has a relatively low debt-to-total capital ratio, which means that its balance sheet is strong enough to withstand an increase in the debt load.

When it comes to yield, appearances can be deceiving. Middlesex continues to have the highest yield in the industry. This is not a positive, however, as it reflects investors' negative views regarding the company's dividend growth prospects. Hence, the market is demanding more current income as compensation. Even with the high current yield, we do not find the stock attractive in the year ahead nor over the next three- to five-year period.

James A. Flood *July 18, 2014*

(A) Diluted earnings. May not sum due to rounding. Next earnings report due mid-August.
(B) Dividends historically paid in mid-Feb., May, Aug., and November. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	40
Earnings Predictability	80

SJW CORP. NYSE-SJW

RECENT PRICE 27.30 | P/E RATIO 21.8 (Trailing: 25.3 Median: 24.0) | RELATIVE P/E RATIO 1.16 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Raised 6/20/14
SAFETY 3 New 4/22/11
TECHNICAL 2 Raised 7/4/14
BETA .80 (1.00 = Market)

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+65%)	16%
Low	30	(+10%)	6%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	1	0	0	0	0	0
Options	1	0	0	1	1	0	0	0	0
to Sell	1	0	0	1	1	0	0	0	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	43	43	32
to Sell	29	30	39
Hld's(000)	10697	10770	10980

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
High:	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	26.9	30.1	30.9								
Low:	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.6	24.5	25.6								
	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	14.01	13.73	*14.30*	*14.55*	Revenues per sh	*16.75*
	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.97	2.90	*3.40*	*3.45*	"Cash Flow" per sh	*3.85*
	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	1.12	*1.25*	*1.40*	Earnings per sh [A]	*1.70*
	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	.73	*.75*	*.77*	Div'd Decl'd per sh [B■]	*.94*
	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.67	4.68	*5.20*	*5.10*	Cap'l Spending per sh	*4.80*
	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	14.71	15.92	*17.05*	*18.20*	Book Value per sh	*21.10*
	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.67	20.17	*21.00*	*22.00*	Common Shs Outst'g [C]	*23.00*
	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	24.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*22.0*
	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	1.36			Relative P/E Ratio	*1.40*
	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	2.7%			Avg Ann'l Div'd Yield	*2.5%*
							166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	261.5	276.9	*300*	*320*	Revenues ($mill)	*385*
							16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	22.3	23.5	*26.0*	*31.0*	Net Profit ($mill)	*39.0*
							42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	41.1%	38.7%	*41.0%*	*40.0%*	Income Tax Rate	*40.0%*
							2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	--	--	2.0%	--	*1.0%*	*1.5%*	AFUDC % to Net Profit	*3.0%*
							43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	55.0%	51.1%	*51.0%*	*52.0%*	Long-Term Debt Ratio	*53.5%*
							56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	45.0%	48.9%	*49.0%*	*48.0%*	Common Equity Ratio	*46.5%*
							328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.9	610.2	656.2	*730*	*835*	Total Capital ($mill)	*1035*
							456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	831.6	898.7	*960*	*1025*	Net Plant ($mill)	*1200*
							6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	4.9%	5.0%	5.0%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
							8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	*7.5%*	*8.0%*	Return on Shr. Equity	*8.0%*
							8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	*7.5%*	*8.0%*	Return on Com Equity	*8.0%*
							3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	3.3%	2.8%	*3.0%*	*3.5%*	Retained to Com Eq	*3.5%*
							58%	47%	46%	57%	59%	80%	80%	61%	59%	62%	*60%*	*55%*	All Div'ds to Net Prof	*55%*

Target Price Range 2017 | 2018 | 2019

LEGENDS
1.50 x Dividends p sh divided by Interest Rate
Relative Price Strength
3-for-1 split 3/04
2-for-1 split 3/06
Options: No
Shaded area indicates recession

% TOT. RETURN 6/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.6	25.1
3 yr.	22.2	52.6
5 yr.	38.3	168.7

CAPITAL STRUCTURE as of 3/31/14
Total Debt $372.4 mill. Due in 5 Yrs $21.2 mill.
LT Debt $334.9 mill. LT Interest $18.7 mill.
(Total interest coverage: 2.9x) (51% of Cap'l)

Leases, Uncapitalized: Annual rentals $5.5 mill.

Pension Assets $91.4 mill.
Oblig. $128.7 mill.

Pfd Stock None.

Common Stock 20,203,134shs.
as of 4/25/14
MARKET CAP: $550 million (Small Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	2.5	2.3	3.1
Other	40.4	37.4	37.7
Current Assets	42.9	39.7	40.8
Accts Payable	8.5	12.6	10.7
Debt Due	20.7	23.0	37.5
Other	19.9	23.6	23.7
Current Liab.	49.1	59.2	71.9
Fix. Chg. Cov.	317%	268%	270%

ANNUAL RATES (of change (per sh))	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	5.5%	4.0%	*3.5%*
"Cash Flow"	6.0%	4.0%	*4.5%*
Earnings	3.5%	.5%	*7.0%*
Dividends	4.5%	3.5%	*5.0%*
Book Value	5.5%	2.5%	*6.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	43.7	59.0	73.9	62.4	239.0
2012	51.1	65.6	82.4	62.4	261.5
2013	50.1	74.2	85.2	67.4	276.9
2014	54.6	*75.4*	*95.0*	*75.0*	*300*
2015	*60.0*	*80.0*	*100*	*80.0*	*320*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.03	.29	.44	.35	1.11
2012	.06	.28	.53	.31	1.18
2013	.07	.37	.44	.24	1.12
2014	.04	*.40*	*.51*	*.30*	*1.25*
2015	*.10*	*.43*	*.55*	*.32*	*1.40*

Calendar	QUARTERLY DIVIDENDS PAID [B■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012	.1775	.1775	.1775	.1775	.71
2013	.1825	.1825	.1825	.1825	.73
2014	.1875	.1875			

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 228,000 connections that serve a population of approximately one million people in the San Jose area and 11,000 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has about 379 employees. Chrm.: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int: www.sjwater.com.

SJW's fate remains in the hands of state regulators. Two and one-half years ago, the utility filed a petition seeking rate relief with the California Public Utility Commission (CPUC). Higher rates were sought for the three-year period from 2013 to 2015. Since the increases petitioned for were so sizable, at 21.5%, 4.9%, and 12.6%, respectively, the final decision will have a major impact on SJW. We think the company has made a reasonable case for the hikes, but the CPUC is under political pressure to not raise water bills too high. On a positive note, the CPUC earlier allowed SJW recovery of the $62 million that will be invested to upgrade a waste facility.

The severe drought could possibly put more pressure on regulators. Prices are rising for the water that the utility has to purchase from another entity to meet the needs of the service area. SJW is allowed to pass these costs through to customers. Still, with water bills at such levels, the CPUC is under greater political pressure to keep citizens' (i.e., voters') rates from skyrocketing. On the other hand, if regulators don't provide utilities with a fair return on investment, funds won't be available to upgrade the aging systems.

The capital budget is large. SJW has been forced to plow back most of its internally generated funds into modernizing the existing water infrastructure. Additional capital is also required for SJW to meet the demand for water from its growing service area, which includes the prosperous Silicon Valley.

The balance sheet will probably weaken. With large projected capital outlays, the company will be forced to depend on external funds for financing. As a result, debt as a percent of total capital should rise in the years ahead.

Dividend growth prospects are below average for a water utility. The last hike averaged only 2.7% on an annual basis. We think this will be the trend through 2017-2019 as increases in the payout will be held back by the need to fund the large construction program.

These shares do not stand out for relative year-ahead performance. Moreover, the stock's potential total returns are close to average over the next 3 to 5 years.

James A. Flood *July 18, 2014*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due early August.. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	45
Earnings Predictability	80

YORK WATER NDQ-YORW

RECENT PRICE 20.19 | P/E RATIO 22.4 (Trailing: 27.3 / Median: 25.0) | RELATIVE P/E RATIO 1.19 | DIV'D YLD 2.9% | VALUE LINE

TIMELINESS 4 Raised 3/28/14
SAFETY 2 New 7/19/13
TECHNICAL 3 Lowered 7/18/14
BETA .75 (1.00 = Market)

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+50%)	13%
Low	19	(-5%)	2%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	2	5	0	0	6	0	1	4
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	1	0	0	0	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	30	29	30
to Sell	23	24	21
Hld's(000)	3451	3528	3634

	2012	2013	2014
High:	18.0	18.1	18.5
Low:	12.8	15.8	16.8
High:	22.0	21.5	
Low:	17.6	19.0	

LEGENDS
1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 5/02
3-for-2 split 9/06
Options: No
Shaded area indicates recession

Target Price Range 2017 | 2018 | 2019

% TOT. RETURN 6/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	12.5	25.1
3 yr.	36.4	52.6
5 yr.	57.3	168.7

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
--	--	--	2.05	2.05	2.17	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	3.21	3.27	*3.65*	*3.95*	Revenues per sh	*4.65*
--	--	--	.59	.57	.65	.65	.79	.77	.86	.88	.95	1.07	1.09	1.12	1.19	*1.35*	*1.45*	"Cash Flow" per sh	*1.75*
--	--	--	.43	.40	.47	.49	.56	.58	.57	.57	.64	.71	.71	.72	.75	*.90*	*.95*	Earnings per sh A	*1.10*
--	--	--	.34	.35	.37	.39	.42	.45	.48	.49	.51	.52	.53	.54	.55	*.57*	*.59*	Div'd Decl'd per sh B	*.74*
--	--	--	.75	.66	1.07	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	.94	.76	*.90*	*.85*	Cap'l Spending per sh	*1.00*
--	--	--	3.79	3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	7.73	7.98	*7.95*	*8.20*	Book Value per sh	*8.90*
--	--	--	9.46	9.55	9.63	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	12.92	12.98	*12.60*	*12.20*	Common Shs Outst'g C	*11.80*
--	--	--	17.8	26.9	24.5	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	24.4	26.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*22.0*
--	--	--	.91	1.47	1.40	1.36	1.40	1.68	1.61	1.48	1.46	1.32	1.50	1.55	1.48			Relative P/E Ratio	*1.40*
--	--	--	4.4%	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	3.1%	2.8%			Avg Ann'l Div'd Yield	*3.0%*
						22.5	26.8	28.7	31.4	32.8	37.0	39.0	40.6	41.4	42.4	*46.0*	*48.0*	Revenues ($mill)	*55.0*
						4.8	5.8	6.1	6.4	6.4	7.5	8.9	9.1	9.3	9.7	*11.5*	*12.0*	Net Profit ($mill)	*13.0*
						36.7%	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	37.6%	37.6%	*37.0%*	*36.0%*	Income Tax Rate	*37.0%*
						--	--	7.2%	3.6%	10.1%	--	1.2%	1.1%	1.1%	.8%	*1.0%*	*1.0%*	AFUDC % to Net Profit	*1.5%*
						42.5%	44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	46.0%	45.1%	*47.5%*	*49.5%*	Long-Term Debt Ratio	*50.0%*
						57.5%	55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	54.0%	54.9%	*52.5%*	*50.5%*	Common Equity Ratio	*50.0%*
						83.6	90.3	126.5	125.7	153.4	160.1	176.4	180.2	184.8	188.4	*190*	*195*	Total Capital ($mill)	*210*
						140.0	155.3	174.4	191.6	211.4	222.0	228.4	233.0	240.3	244.2	*250*	*255*	Net Plant ($mill)	*270*
						7.6%	8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	6.4%	6.5%	*7.5%*	*7.5%*	Return on Total Cap'l	*7.5%*
						10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	*11.5%*	*12.0%*	Return on Shr. Equity	*12.0%*
						10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	*11.5%*	*12.0%*	Return on Com Equity	*12.0%*
						2.1%	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	2.4%	2.4%	*4.0%*	*4.5%*	Retained to Com Eq	*4.0%*
						79%	74%	77%	82%	85%	78%	72%	73%	74%	74%	*63%*	*62%*	All Div'ds to Net Prof	*67%*

CAPITAL STRUCTURE as of 3/31/14
Total Debt $84.9 mill. Due in 5 Yrs $19.5 mill.
LT Debt $84.9 mill. LT Interest $5.2 mill.
(Total interest coverage: 4.0x)
(45% of Cap'l)
Pension Assets 12/13 $27.1 mill.
Oblig. $32.1 mill.

Pfd Stock None

Common Stock 12,944,260 shs.
as of 5/6/14

MARKET CAP: $250 million (Small Cap)

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	4.0	7.6	5.7
Accounts Receivable	6.4	3.8	3.4
Other	1.2	3.8	4.3
Current Assets	11.6	15.2	13.4
Accts Payable	1.1	1.8	1.6
Debt Due	.1	--	--
Other	4.3	6.0	6.5
Current Liab.	5.5	7.8	8.1
Fix. Chg. Cov.	414%	417%	417%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.5%	3.0%	*6.5%*
"Cash Flow"	6.5%	6.5%	*7.5%*
Earnings	5.5%	5.0%	*7.0%*
Dividends	4.5%	2.5%	*5.5%*
Book Value	7.0%	5.0%	*2.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	9.6	10.5	10.5	10.0	40.6
2012	9.6	10.4	11.0	10.4	41.4
2013	10.1	10.7	10.9	10.7	42.4
2014	10.6	*11.5*	*12.1*	*11.8*	*46.0*
2015	*11.0*	*12.0*	*12.5*	*12.5*	*48.0*

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.17	.19	.19	.16	.71
2012	.15	.17	.22	.18	.72
2013	.17	.18	.19	.21	.75
2014	.16	*.24*	*.25*	*.25*	*.90*
2015	*.20*	*.25*	*.25*	*.25*	*.95*

Calendar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.128	.128	.128	.128	.512
2011	.131	.131	.131	.131	.524
2012	.134	.134	.134	.134	.535
2013	.138	.138	.138	.138	.552
2014	.1431	.1431			

BUSINESS: The York Water Company is the oldest investor-owned regulated water utility in the United States. It has operated continuously since 1816. As of December 31, 2013, the company's average daily availability was 35.0 million gallons and its service territory had an estimated population of 190,000. Has more than 63,000 customers. Residential customers accounted for 63% of 2013 revenues; commercial and industrial (29%); other (8%). It also provides sewer billing services. Incorporated: PA. York had 105 full-time employees at 12/31/13. President/CEO: Jeffrey R. Hines. Officers/directors own 1.1% of the common stock (3/14 proxy). Address: 130 East Market Street York, Pennsylvania 17401. Telephone: (717) 845-3601. Internet: www.yorkwater.com.

We are maintaining our 2014 earnings estimate for York Water. First-quarter results were a disappointment, coming in at $0.16 a share, $0.03 a share less than the consensus number. The period had a few unexpected expenses, plus the poor weather resulted in higher-than-budgeted maintenance costs. Since these charges probably won't recur, we think that per-share earnings can break out of their rut and increase 20% this year. (Share net was between $0.71 and $0.75 from 2010 to 2013.) Fueling the bottom line will be the higher rates that state regulators allowed the utility to implement on February 28th. **The bottom line will most likely rise modestly next year.** Higher rates will be in effect for the full year, versus only 10 months in 2014. Together with better cost controls, this should result in at least a 5% share-net gain. Our estimates for both years could prove conservative should the company change tack and decide to execute its stock-buyback program in a shorter period of time (see below).

The share-repurchase program has still not gained any traction. In March 2013, management announced plans to repurchase 1.2 million shares, or over 9% of the company's outstanding equity. Sixteen months later and the number of shares outstanding have only been reduced by 40,000.

Dividend growth prospects are average at best. Compared to other water utilities, York has a high dividend-to-net profit ratio. This means that there is not a substantial amount of room for dividends to increase. And, though this percentage is on the decline, it most likely won't go low enough for annual dividends hikes to surpass the industry average.

Finances are adequate. Despite the need to spend to upgrade an aging infrastructure, capital expenditures should be manageable in the years ahead. Indeed, York should be able to fund the outlays without having to issue any new bonds. So, the debt-to-total equity ratio should remain close to a healthy 50% level.

York shares are rated to underperform the broader market averages over the next six- to 12-month period. Moreover, total return potential through 2017-2019 is below average, as well.

James A. Flood *July 18, 2014*

(A) Diluted earnings. Next earnings report due early August.
(B) Dividends historically paid in mid-January, April, July, and October.
(C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	65
Earnings Predictability	100

Quail Creek Water Company, Inc.

Direct Testimony of Thomas J. Bourassa
Cost of Capital

Exhibit TJB-COC-DT2

Quail Creek Water Company
Comparative Risk Study
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

Line No.								
	A. Beta Estimates for Water Sample Group and Company							
1	Company	Portfolio 5	Operating Margin 39.06%	Portfolio 11	CV (Operating Margin)[1] 20.74%	Portfolio 13	CV (ROE)[1] 41.78%	
2	Water Proxy Group	2	28.96%	20	8.36%	24	10.29%	
			Portfolio Beta[2]		Portfolio Beta[3]		Portfolio Beta[3]	Average
3	Company		0.88		1.15		1.15	
4	Water Proxy Group		0.83		0.99		0.85	
5	Percentage Difference		6.0%		16.2%		35.3%	**19.2%**
	B. Assume percentage difference is the same for water utilities as companies in general							
6	Water Sample Group[5]		0.71		0.71		0.71	
7	Implied Beta for Company[6]		0.75		0.82		0.96	**0.85**

Notes:
[1] See Risk Study. CV stands for Coefficient of Variation,
[2] Source is Duff & Phelps 2104 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
[3] Source is Duff & Phelps 2104 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
[5] Source is Table 3.
[6] Calculated by multiplying (1+ percentage difference in risk study betas) times 0.71 beta for the water sample group.

Quail Creek Water Company
Comparative Risk Study
Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta
To Find Additional Risk Premium

Line No.		Rf^{1}	+	Implied beta[2]	x	RP_M	=	k	CAPM Results From Schedule D-4.11	Indicated Company Risk Premium
1	Historical Market Risk Premium CAPM	4.6%	+	0.85	x	6.96% [3]	=	10.5%	9.5%	1.0%
2	Currrent Market Risk Premium CAPM	4.6%	+	0.85	x	8.73% [4]	=	12.0%	10.8%	1.2%

Notes:

[1] Forecasts of long-term treasury yields. See Scehdule D-4.9.

[2] Implied Beta computed from Duff and Phelps 2014 Valuation Handbook Risk Study information. See page 1 of exhibit.

[3] Historical Market Risk Premium from (Rp) from Morningstar Ibbotson 214 Classic Yearbook, Long-Horizon ERP on S&P 500. See Schedule D-4.11.

[4] See Schedule D-4.10

Quail Creek Water Company, Inc.

Direct Testimony of Thomas J. Bourassa
Cost of Capital

D Schedules

Quail Creek Water Company
Test Year Ended December 31, 2013
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	End of Test Year Dollar Amount	End of Test Year Percent of Total	End of Test Year Cost Rate	End of Test Year Weighted Cost	Projected Capital Structure Dollar Amount	Projected Capital Structure Percent of Total	Projected Capital Structure Cost Rate	Projected Capital Structure Weighted Cost
1	Long-Term Debt	$ -	0.00%	0.00%	0.00%	$ -	0.00%	0.00%	0.00%
2									
3	Stockholder's Equity	5,777,616	100.00%	10.00%	10.00%	5,896,579	100.00%	10.00%	10.00%
4									
5	Totals	$ 5,777,616	100.00%		10.00%	$ 5,896,579	100.00%		10.00%
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22	SUPPORTING SCHEDULES:					RECAP SCHEDULES:			
23	D-1					A-3			
24	D-3								
25	D-4								
26	E-1								
27	Testimony								
28									
29									
30									

Quail Creek Water Company
Test Year Ended December 31, 2013
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1									
2			-	0.00%	0.00%	-	-	0.00%	0.00%
3			-	0.00%	0.00%	-	-	0.00%	0.00%
4			-	0.00%	0.00%		-	0.00%	0.00%
5			-	0.00%	0.00%		-	0.00%	0.00%
6			-	0.00%	0.00%		-	0.00%	0.00%
7			-	0.00%	0.00%		-	0.00%	0.00%
8			-	0.00%	0.00%		-	0.00%	0.00%
9			-	0.00%	0.00%		-	0.00%	0.00%
10			-	0.00%	0.00%		-	0.00%	0.00%
11			-	0.00%	0.00%		-	0.00%	0.00%
12									
13	Totals	$ -	-		0.00%	$ -	-		0.00%
14									
15									
16	Supporting Schdules:								
17	E-1								
18	E-2								
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									

Quail Creek Water Company
Test Year Ended December 31, 2013
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
	Description of Issue	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						

SUPPORTING SCHEDULES:
E-1

RECAP SCHEDULES:
D-1

Quail Creek Water Company
Test Year Ended December 31, 2013
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.00% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	E-1	D-1
19	D-4.1 to D-4.15	
20		

Quail Creek Water Company
Summary of Results

Exhibit
Schedule D-4.1
Witness: Bourassa

Line No.		Indicated Cost of Equity for Water Sample Group			Indicated Cost of Equity for Quail Creek Water Company [1]		
1	DCF Constant Growth - Table 8	9.4%	to	9.6%	9.9%	to	10.1%
2	Risk Premium Model - Table 10		10.6%			11.1%	
3	CAPM - Table 12	9.5%	to	10.8%	10.0%	to	11.3%
4	Range of Cost of Equity Estimates	9.8%	to	10.3%	10.3%	to	10.8%
5	Financial Risk Adjustment - Table 16		0.0%			-0.60%	
6	Adjusted Range of Cost of Equity Estimates	9.8%	to	10.3%	9.7%	to	10.2%
7	Mid-point		10.1%			10.0%	
8	Cost of Equity Recommendation			10.0%			

Notes:
[1]Estimates include an equity risk premium of 50 basis points based on comparative risk study. See Testimony.

Quail Creek Water Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Schedule D-4.2
Witness: Bourassa

Line No.	Company	Symbol	% Water Revenues[1]	Operating Revenues (millions)[1]	Net Plant (millions)[1]	S&P Bond Rating[1]	Moody's Bond Rating[1]	Allowed ROE (%)[1]	Value Line Beta[2]	Market Capitalization[2]	Size Category[3]
1	1. Amer. Water Works	AWK	71%	$ 458.4	$ 988.7	A+	A2	9.99	0.70	$ 1,243.7	Low-Cap
2	2. Aqua America	WTR	98%	$ 770.9	$ 4,233.8	AA-	NR	10.29	0.70	$ 4,379.8	Mid cap
3	3. California Water	CWT	100%	$ 587.0	$ 1,539.5	AA-	NR	9.99	0.70	$ 1,149.7	Low-Cap
4	4. Connecticut Water	CTWS	100%	$ 94.9	$ 483.8	A/A-	NR	9.75	0.65	$ 362.9	Micro-cap
5	5. Middlesex	MSEX	88%	$ 115.1	$ 451.4	A	NR	10.15	0.70	$ 328.2	Micro-cap
6	6. SJW Corp.	SJW	95%	$ 277.5	$ 915.0	A	NR	9.99	0.85	$ 547.3	Micro-cap
7	7. York Water Company	YORW	100%	$ 43.9	$ 247.1	A-	NR	NM	0.70	$ 258.5	Micro-cap
8	Average		93%	$ 335.4	$ 1,265.6			10.03	0.71	$ 1,181.4	
9	Quail Creek Water Company		100%	$ 0.8	$ 5.9	NR	NR	-			

Notes:
[1] AUS Utility Reports (August 2014).
[2] Value Line Analyzer Data (Weekly as of August 28, 2014)
[3] See Schdule D-4.16 for definitions of size category

Quail Creek Water Company
Capital Structures

Exhibit
Schedule D-4.3
Witness: Bourassa

Line No.	Company	Symbol	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	1. Amer. Water Works	AWR	39.8%	60.2%	20.8%	79.2%
2	2. Aqua America	WTR	48.9%	51.1%	25.1%	74.9%
3	3. California Water	CWT	41.6%	58.4%	27.0%	73.0%
4	4. Connecticut Water	CTWS	47.0%	53.0%	32.5%	67.5%
5	5. Middlesex	MSEX	40.7%	59.3%	28.3%	71.7%
6	6. SJW Corp.	SJW	51.0%	49.0%	38.0%	62.0%
7	7. York Water Company	YORW	45.0%	55.0%	24.7%	75.3%
8	Average		44.9%	55.1%	28.1%	71.9%
9	Quail Creek Water Company		100.0%	0.0%	N/A	N/A

[1] Value Line Analyzer Data (Weekly as of August 28, 2014)

Quail Creek Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Five-year historical average annual changes Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Historical Growth	[6] Value Line Projected Growth[2]	[7] Average of Historical and Proj. Grwth
1	1. Amer. Water Works	16.07%	6.50%	13.00%	6.50%	10.52%	6.00%	8.26%
2	2. Aqua America	11.70%	6.00%	11.00%	7.00%	8.92%	8.50%	8.71%
3	3. California Water	4.27%	4.50%	4.00%	1.50%	3.57%	7.50%	5.53%
4	4. Connecticut Water	12.77%	8.00%	8.00%	2.00%	7.69%	5.00%	6.35%
5	5. Middlesex	8.36%	3.00%	1.50%	1.50%	3.59%	4.50%	4.05%
6	6. SJW Corp.	4.38%	2.50%	NMF	3.50%	3.46%	7.00%	5.23%
7	7. York Water Company	8.44%	5.00%	5.00%	2.50%	5.23%	7.00%	6.12%
8	GROUP AVERAGE	9.43%	5.07%	7.08%	3.50%	6.14%	6.50%	6.32%

Notes:
[1] Average of changes in annual stock prices ending on December 31 through 2013. Data from Yahoo Finance website.
[2] Value Line Analyzer, weekly as of August 28, 2014.

Quail Creek Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.5
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Value Line Growth[2]	[7] Average of Historical and Proj. Grwth
		Ten-year historical average annual changes						
1	1. Amer. Water Works	12.91%	5.50%	9.00%	4.00%	7.85%	6.00%	6.93%
2	2. Aqua America	10.31%	8.00%	8.50%	7.50%	8.58%	8.50%	8.54%
3	3. California Water	10.19%	5.50%	5.50%	1.00%	5.55%	7.50%	6.52%
4	4. Connecticut Water	6.58%	6.00%	2.50%	1.50%	4.14%	5.00%	4.57%
5	5. Middlesex	4.38%	4.50%	3.50%	1.50%	3.47%	4.50%	3.98%
6	6. SJW Corp.	12.91%	5.50%	3.50%	4.50%	6.60%	7.00%	6.80%
7	7. York Water Company	8.21%	7.00%	5.50%	4.50%	6.30%	7.00%	6.65%
8	GROUP AVERAGE	9.35%	6.00%	5.43%	3.50%	6.07%	6.50%	6.29%

Notes:
[1] Average of changes in annual stock prices ending December 31, 2013. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, weekly as of August 28, 2014.

Quail Creek Water Company
Current Dividend Yields for Water Utility Sample Group

Exhibit
Schedule D-4.6
Witness: Bourassa

Line No.	Company	[1] Stock Price (P_0)[1]	[2] Current Dividend (D_0)[1]	[3] Current Dividend Yield (D_0/P_0)	[4] Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. Amer. Water Works	$ 32.45	$ 0.87	2.68%	2.75%
2	2. Aqua America	$ 24.84	$ 0.66	2.66%	2.36%
3	3. California Water	$ 24.26	$ 0.66	2.72%	3.12%
4	4. Connecticut Water	$ 33.30	$ 1.03	3.09%	3.21%
5	5. Middlesex	$ 20.60	$ 0.77	3.74%	3.71%
6	6. SJW Corp.	$ 28.00	$ 0.76	2.71%	2.68%
7	7. York Water Company	$ 20.32	$ 0.58	2.85%	2.80%
8	GROUP AVERAGE			2.92%	2.95%

Notes:

[1] Stock prices as of Septmber 5, 2014. Indicated Dividend from Value Line Analyzer weekly as of August 28, 2014.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. As report by Value Line Analyzer software. For comparison purposes only.

Quail Creek Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Schedule D-4.7 (page 1)
Witness: Bourassa

Line No.		[1] Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]		[3] Value Line Projected Growth (g)[3]		[4] Indicated Cost of Equity (COE) k=Div Yld + g (Cols 2+3)
1	1. Amer. Water Works	2.68%	2.84%	+	6.00%	=	8.84%
2	2. Aqua America	2.66%	2.88%	+	8.50%	=	11.38%
3	3. California Water	2.72%	2.92%	+	7.50%	=	10.42%
4	4. Connecticut Water	3.09%	3.25%	+	5.00%	=	8.25%
5	5. Middlesex	3.74%	3.91%	+	4.50%	=	8.41%
6	6. SJW Corp.	2.71%	2.90%	+	7.00%	=	9.90%
7	7. York Water Company	2.85%	3.05%	+	7.00%	=	10.05%
8	Average	2.92%	3.11%		6.50%		9.61%

Notes:
[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.6.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Value Line Growth rate (g). See Schdule D-4.5, Col. 6.

Quail Creek Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Schedule D-4.7 (page 2)
Witness: Bourassa

Line No.		[1] Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]		[3] Average Average of Historical and Proj. Grwth[3]		[4] Indicated Cost of Equity (COE) k=Div Yld + g (Cols 2+3)
1	1. Amer. Water Works	2.68%	2.90%	+	8.26%	=	11.16%
2	2. Aqua America	2.66%	2.89%	+	8.71%	=	11.60%
3	3. California Water	2.72%	2.87%	+	5.53%	=	8.40%
4	4. Connecticut Water	3.09%	3.29%	+	6.35%	=	9.64%
5	5. Middlesex	3.74%	3.89%	+	4.05%	=	7.93%
6	6. SJW Corp.	2.71%	2.86%	+	5.23%	=	8.09%
7	7. York Water Company	2.85%	3.03%	+	6.12%	=	9.15%
8	Average						9.42%

Notes:
[1] Spot Dividend Yield = D_0/P_0. See Table 7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Historical Growth rate (g). See Scehdule D-4.5 Col. 7.

Quail Creek Water Company
Forecasts of Long-Term Interest Rates

Exhibit
Schedule D-4.8
Witness: Bourassa

Line No.		2015	2016	2017	Average
1	Long-term Treasury Rates				
2	Blue Chip Consensus Forecasts[1]	4.30%	4.70%	5.10%	
3	Value Line[2]	4.30%	4.50%	4.80%	
4	Average				4.6%
5	Aaa Corporate Bonds				
6	Blue Chip Consensus Forecasts[1]	5.10%	5.50%	5.90%	
7	Value Line[2]	4.80%	5.50%	5.80%	
8	Average				5.4%
9	Baa Corporate Bonds				
10	Blue Chip Consensus Forecasts[1]	5.80%	6.30%	6.80%	
11	Value Line[2]				
12	Average				6.3%

Notes:
[1] Blue Chip consensus forecasts (June 2014).
[2] Value Line Quarterly forecasts dated May 23, 2014.

Quail Creek Water Company
Risk Premium Analysis Based on Total Returns

Exhibit
Schedule D-4.9
Witness: Bourassa

Line No.		Annual Total Return[1]	Treasury Bond Rates[2]	Annual Risk Premiums
1	1999	26.28%	5.87%	20.41%
2	2000	2.70%	5.94%	-3.24%
3	2001	16.00%	5.49%	10.51%
4	2002	-4.16%	5.42%	-9.58%
5	2003	23.72%	5.05%	18.67%
6	2004	13.78%	5.12%	8.66%
7	2005	19.02%	4.56%	14.46%
8	2006	15.86%	4.91%	10.95%
9	2007	-2.71%	4.84%	-7.55%
10	2008	-1.87%	4.28%	-6.15%
11	2009	-0.20%	4.08%	-4.28%
12	2010	15.26%	4.25%	11.01%
13	2011	1.52%	3.91%	-2.39%
14	2012	15.08%	2.92%	12.16%
15	2013	20.34%	3.45%	16.89%
16		15-Year Average	4.7%	6.0%
17		Expected Long-term Treasury Bond Rate[3]		4.6%
18		Projected Returns on Equity for Sample		10.6%

Notes:
[1] Composite of average total returns for water utilities. Data from Value Line Analyzer software.
[2] As reported by the Federal Reserve.
[3] Source is Schedule D-4.8.

Quail Creek Water Company
Estimation of Current Market Risk Premium
Using DCF Analysis

Exhibit
Schedule D-4.10
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Expected Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Expected Market Risk Premium (MRP)
1	June	2.54%	2.78%	+	9.50%	=	12.28%	-	3.40%	=	8.88%
2	July	2.40%	2.63%	+	9.50%	=	12.13%	-	3.61%	=	8.52%
3	Aug	2.53%	2.77%	+	9.50%	=	12.27%	-	3.76%	=	8.51%
4	Sept	2.47%	2.70%	+	9.50%	=	12.20%	-	3.79%	=	8.41%
5	Oct	2.37%	2.60%	+	9.50%	=	12.10%	-	3.68%	=	8.42%
6	Nov	2.42%	2.64%	+	9.50%	=	12.14%	-	3.80%	=	8.34%
7	Dec 2013	2.37%	2.59%	+	9.50%	=	12.09%	-	3.89%	=	8.20%
8	Jan 2014	2.43%	2.66%	+	9.83%	=	12.50%	-	3.77%	=	8.73%
9	Feb	2.39%	2.62%	+	9.50%	=	12.12%	-	3.66%	=	8.46%
10	Mar	2.40%	2.63%	+	9.50%	=	12.13%	-	3.62%	=	8.51%
11	Apr	2.37%	2.60%	+	9.50%	=	12.10%	-	3.52%	=	8.58%
12	May	2.37%	2.59%	+	9.42%	=	12.01%	-	3.39%	=	8.62%
13	June	2.34%	2.56%	+	9.33%	=	11.89%	-	3.42%	=	8.47%
14	July	2.42%	2.65%	+	9.50%	=	12.15%	-	3.33%	=	8.82%
15	Aug	2.38%	2.61%	+	9.50%	=	12.11%	-	3.20%	=	8.91%
16	Recommended	2.38%	2.61%	+	9.44%	=	12.05%	-	3.32%	=	8.73%
17	Short-term Trends										
18	Recent Twelve Months Avg	2.39%	2.62%	+	9.51%	=	12.13%	-	3.59%	=	8.54%
19	Recent Nine Months Avg	2.39%	2.61%	+	9.51%	=	12.12%	-	3.53%	=	8.59%
20	Recent Six Months Avg	2.38%	2.61%	+	9.46%	=	12.06%	-	3.41%	=	8.65%
21	Recent Three Months Avg	2.38%	2.61%	+	9.44%	=	12.05%	-	3.32%	=	8.73%

Notes:

[1] Average Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

[2] Expected Dividend Yield (D_1/P_0) equals current average dividend yield (D_0/P_0) times one plus growth rate(g).

[3] Median of Projected EPS, Projected DPS Growth and Projected BV Growth for VL 1700 stocks. Data from Value Line Investment Analyzer Software.

[4] Monthly average 30 year U.S. Treasury. Federal Reserve.

Quail Creek Water Company
Traditional Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.11
Witness: Bourassa

Line No.		R_f[1]	+	beta[2]	x	RP_M		=	k
1	Historical Market Risk Premium CAPM	4.6%	+	0.71	x	6.96%	[3]	=	9.5%
2	Currrent Market Risk Premium CAPM	4.6%	+	0.71	x	8.73%	[4]	=	10.8%
3	Average								10.2%

Notes:
[1] Forecasts of long-term treasury yields. See Schedule D-4.8.
[2] Value Line Investment Analyzer data. See Schedule D-4.3.
[3] Historical Market Risk Premium Duff & Phelps 2014 Valuation Handbook, Appendix 3, Long-Horizon ERP.
[4] See Table 11.

Quail Creek Water Company
Financial Risk Computation
Unlevered Beta

Exhibit
Schedule D-4.12
Witness: Bourassa

Line No.		Company	VL Beta β_L [1]	Raw Beta Raw β_L [2]	Tax Rate t [3]	MV Debt D [4]	MV Equity E [4]		Unlevered Raw Beta β_U [5]
1									
2									
3									
4									
5	1.	American States	0.70	0.55	36.3%	20.8%	79.2%		0.47
6	2.	Aqua America	0.70	0.55	10.0%	25.1%	74.9%		0.42
7	3.	California Water	0.70	0.55	30.3%	27.0%	73.0%		0.44
8	4.	Connecticut Water	0.65	0.48	28.0%	32.5%	67.5%		0.36
9	5.	Middlesex	0.70	0.55	34.1%	28.3%	71.7%		0.44
10	6.	SJW Corp.	0.85	0.78	38.7%	38.0%	62.0%		0.57
11	7.	York Water	0.70	0.55	37.6%	24.7%	75.3%		0.46
12									
13		Sample Water Utilities	0.71	0.57	30.7%	28.1%	71.9%	#	0.45
14									
15									
16									
17									
18									
19									
20		[1] Value Line Investment Analyzer data. See Schedule D-4.1.							
21		Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:							
22		Adjusted beta = .33 + (.67) * Raw beta							
23		[2] Raw Beta = (VL beta - .33)/(.67)							
24		[3] Effective tax rates for year ended December 31, 2013.							
25		[4] See Schedule D-4.2.							
26		[5] Raw B_u = Raw B_L / (1+ (1-t)*D/E)							
27									
28									
29									
30									

Quail Creek Water Company
Financial Risk Computation
Relevered Beta

Exhibit
Schedule D-4.13
Witness: Bourassa

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]		MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U (1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
1								
2								
3								
4								
5	Quail Creek Water Company	0.45	0.0%		100.0%	39.10%	0.45	0.63
6								
7								
8								
9								
10								
11								
12								

13 [1] Unlevered Beta fron Unlevered Beta tab in WP.
14 [2] Proforma Capital Structure of Company per D-1

		BV (in Thousands)		MV (in Thousands)	MV %
15					
16					
17	Long-term Debt	$ -	1.00	$ -	0.00%
18	Preferred Stock	$ -	1.00	-	0.0%
19	Common Stock	$ 5,778	2.18	(a) 12,606	100.0%
20	Total Capital	$ 5,778		$ 12,606	100.0%

21
22 (a) Current market-to-book ratio of sample water utilities. See work papers.
23
24 [3] Current Tax rate based on test year ending 12/31/2013. See Schedule C-5.
25
26

Quail Creek Water Company
Financial Risk Computation

Exhibit
Schedule D-4.14
Witness: Bourassa

Line No.										
1	**CAPM**									
2		**Rf**		+	**β**		x	**(Rp)**		**k**
3	Historical Market Risk Premium	4.6%	[1]	+	0.71	[2]	x	6.96%	[3]	= 9.5%
4	Current Market Risk Premium	4.6%	[1]	+	0.71	[2]	x	8.73%	[4]	= 10.8%
5										
6	Average									10.2%
7										
8										
9	**CAPM Relevered Beta**									
10		**Rf**		+	**β**		x	**(Rp)**		**k**
11	Historical Market Risk Premium	4.6%	[1]	+	0.63	[5]	x	6.96%	[3]	= 9.0%
12	Current Market Risk Premium	4.6%	[1]	+	0.63	[5]	x	8.73%	[4]	= 10.1%
13										
14	Average									9.6%
15										
16	Indicated Financial Risk Adjustment									**-0.6%**
17										

[1] Forecast of long-term treasury yields. See Schedule D-4.8.
[2] Value Line Investment Analyzer data. See Schedule D-4.1.
[3] Historical Market Risk Premium from (Rp) Duff & Phelps 2014 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2013.
[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.10.
[5] Relevered beta found on Relevered Beta. See Schedule D-4.15.

Quail Creek Water Company
Risk Premium[1]

Exhibit
Schedule D-4.15
Witness: Bourassa

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
1	Mid-Cap Companies[2]	1.12	1.14%	
2	Low-Cap Companies[3]	1.23	1.87%	
3	Micro-Cap Companies[4]	1.36	3.84%	
4	Decile 10[5]	1.40	6.01%	3.12%

		Risk Premium for Small Water Utilities
5	Estimated Risk Premium for small utilities[6]	0.99%
6	Estimated Risk Premium for Quail Creek Water Company[8]	0.90% to 1.00%

[1] Data from Table 7-6 of Morningstar, *Ibbotson SBBI 2014 Classic Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $2,432 million and $9,196 million.
[3] Low-Cap companies includes companies with market capitalization between $636.7 million and $2,431 million.
[4] Micro-Cap companies includes companies with market capitalization less than $636.7 million.
[5] Decile 10 includes companies with market capitalization less than $338 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Micro-Cap risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 1,244	Low-Cap	1.87%	4.14%	0.14285714	0.59%
2.	Aqua America	$ 4,380	Mid-Cap	1.14%	4.87%	0.14285714	0.70%
3.	California Water	$ 1,150	Low-Cap	1.87%	4.14%	0.14285714	0.59%
4.	Connecticut Water	$ 363	Micro-Cap	3.84%	2.17%	0.14285714	0.31%
5.	Middlesex	$ 328	Micro-Cap	3.84%	2.17%	0.14285714	0.31%
6.	SJW Corp.	$ 547	Micro-Cap	3.84%	2.17%	0.14285714	0.31%
7.	York Water Company	$ 259	Micro-Cap	3.84%	2.17%	0.14285714	0.31%
			Average	2.89%	Wghtd Size Prem. for Small Utilities		3.12%

[8] Results of Comparative Risk Study. See Exhibit COC TJB-3 and Testimony.